

Hangzhou Hikvision Digital Technology Co., Ltd.

2022 Annual Report

HIKVISION

April 15, 2023

To Shareholders

The year 2022 was the twenty-first year since the establishment of the Company. It also witnessed the first negative profit growth since our creation. The Company is experiencing many new challenges in a complex and changing environment. However, challenges are inevitable in the growth and development of businesses. Some challenges have made the Company more confident and capable of addressing future challenges.

Technology is the first productive force. Recognizing the growing impact of technological advancement on all aspects of our life, the Company embraces technological changes and follows technological development trends. AIoT is a field the Company will continue to develop for a long time as it covers many industry scenarios, technologies and a wide range of products from detectors to system solutions. Today, customers focus on not only the type of objects, but also their characteristics, status or composition, and this change of consumer demand poses challenges and opportunities for us. The development of AI technology has provided us with greater capability and easier access to more data of objects, enabling us to explore wider application of data with AIoT. Believing that success will come when conditions are ripe, the Company will continue to invest firmly in perception, AI, big data and cloud computing technologies. We look forward to more breakthroughs in global technology, and will strive to grasp the business opportunities that each technological change presents.

Digital transformation is a long-term process that requires continuous improvement. We will continue to optimize our operational model or process by adopting digital technologies in various business scenarios of the Company and our partners. Digital transformation is crucial for our growth and the development of new market opportunities, but it cannot be done overnight. We will start with little practical work and steadily forges ahead toward our goal.

The past five years has been challenging for many businesses due to the rise of international protectionism and the trend of counter-globalization, and we are no exception. However, we have also seen some growth. There is still a tremendous market out there and we will adapt to the circumstances, further strengthen our marketing and service systems, and improve our supply chain

based on market trends and business development needs.

The successful IPO of EZVIZ Network marks a milestone in the Company's internal entrepreneurial innovation and an achievement in our path to maintaining entrepreneurial and innovative vitality. Being customer-centric and creating value for customers are always the Company's original mission and core values, regardless of the business model. Whether in good or bad times, we remain open, transparent and honest.

At last, I would like to express my sincere gratitude to all shareholders for your trust in the management team!

See far, go further!

Board of Directors of Hangzhou Hikvision Digital Technology Co., Ltd.

April, 2023

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management guarantee that the information presented in this report is true, accurate and complete without false records, misleading statements or material omissions, and will undertake individual and joint legal liabilities.

Chen Zongnian, the Company's legal representative, Jin Yan, the person in charge of the accounting work, and Zhan Junhua, the person in charge of accounting department (accounting supervisor) hereby declare and warrant that the financial statements in this annual report are true, accurate and complete.

All directors of the Company have attended the board meeting to review this report.

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: Board of Directors based on the Company's current total share capital of 9,363,932,789 shares, the Company proposed to distribute cash dividend of RMB7 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil.

Note:

This document is a translated version of the Chinese version 2022 Annual Report ("2022 年年度报告"), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2022 Annual Report may be obtained at www.cninfo.com.cn.

Please read the full annual report and pay particular attention to the following risk factors:

- 1) **Geopolitical environment risk:** The current global geopolitical uncertainty has greatly increased, and the operating environment in certain regions has deteriorated. The Company will adjust its marketing resources based on business opportunities, but if the geopolitical environment get worse, the Company's operations in certain countries and regions may be adversely affected.
- 2) **Global economic downside risk:** The economic growth of some overseas countries slows down, the potential risks such as economic fluctuation and debt default in various regions are difficult to eliminate. At the same time, the domestic economy is switching to a new development mode and its pace of recovery needs to be further observed. The Company disperses the operation risk of a single region with a wide business layout. But the Company's business will also be impacted if there is a global economic recession.
- 3) **Supply chain risk:** The global supply system is being undermined by politics. The Company has been making efforts to build a diversified supply chain and optimize inventory adjustment and control. However, if systemic risks arise in the global supply chain, the Company's operating capabilities may be affected
- 4) **Technology upgrading risk:** AI, big data, cloud computing, edge computing and other technologies develop rapidly, and the iteration speed of science and technology application is fast. If the update and change of cutting-edge technology cannot be closely tracked and the innovative development of business cannot be realized quickly, the uncertainty of the Company's future development will increase.
- 5) **Legal and compliance risk:** The world's multilateral trading system is facing adverse impacts. The laws and regulations of various regions that need to be complied with for business activities are very complicated. The Company constantly strengthens the construction of legal compliance system since China and overseas countries have stricter data supervision and business compliance requirements. If the Company's legal compliance capabilities cannot keep up with the situation, it will bring adverse impacts on the Company's operations.
- 6) **Risk of exchange rate fluctuation:** The Company carries out operations in various countries and regions, mainly settled in non-RMB currency. Exchange rate fluctuations could have impact on foreign exchange exposures arising out of sales, procurement and financing, which could likely affect the profitability level of the Company.

- 7) **Financial risk caused by the decline of customers' ability to pay:** The enterprises' financial liquidity is negatively impacted by the macroeconomic downturn. The Company has accumulated a certain amount of cash reserves due to its stable business operation, and the financing cost is low. If the overall liquidity risk of the market increases, it will adversely affect the Company's account receivables due to the payment collection speed of the Company may slow down.
- 8) **Risk of internal management:** The continual expansion of business scale, the continuous increase of new products and new businesses, and the continuous growth in total number of employees lead to a significant rise of internal management complexity, which brings challenges to the Company's management. The Company's sustainable development will face certain risks if the management level fails to proportionally address the Company's business expansion.
- 9) **Risk of cybersecurity:** The Company has always attached great importance and taken active measures to enhance cybersecurity performance of our products and systems. But there is still a possibility of deliberate attempts, including computer viruses, malicious software, hacker and others to intentionally attack our systems or products, causing cybersecurity issues.
- 10) **Risk of intellectual property (IP) rights:** The Company continues to maintain a relatively large scale of R&D investment, and produces considerable technical milestones. At the same time, the Company implements well-organized intellectual property right (IPR) protection measures. However, the risk of intellectual property disputes and the risk of intellectual property rights violations still exist.

The above notices might not be all-inclusive of all other potential risks. Please pay attention to potential investment risks.

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Definitions

Term	Definition
Reporting Period	From January 1, 2022 to December 31, 2022
Articles of Associations	<i>Articles of Associations for Hangzhou Hikvision Digital Technology Co., Ltd</i>
Hikvision, the Company, our Company	Hangzhou Hikvision Digital Technology Co., Ltd.
CETC	China Electronics Technology Group Ltd., the actual controller of the Company
CETHIK	CETHIK Group Co., Ltd. Controlling Shareholder of the Company
EZVIZ, EZVIZ Network	Hangzhou EZVIZ Network Co., Ltd.(According to the context, also refers to the corresponding business)
HikRobot, Robotic business	Hangzhou Hikrobot Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikAuto, Auto electronics business	Hangzhou Hikauto Technology Ltd. (According to the context, also refers to the corresponding business)
HikMicro, Micro Sensing, Thermal imaging business	Hangzhou Hikmicro Sensing Technology Ltd. (According to the context, also refers to the corresponding business)
HikSemi, HikStorage, Storage business	Wuhan Hikstorage Technology Ltd. (According to the context, also refers to the corresponding business)
HikImaging	Hangzhou Hikimaging Technology Ltd. (According to the context, also refers to the corresponding business)
HikFire	Hangzhou Hikfire Technology Ltd. (According to the context, also refers to the corresponding business)
HikRayin,Rayin, HikSecurityCheck	Hangzhou Rayin Technology Ltd. (According to the context, also refers to the corresponding business)
Hangzhou Innovation Industry Park	Located in Hangzhou, Binjiang District, Zhejiang Province, the planned use is for R&D, office space and supporting facilities.
Chengdu Science and Technology Park	Located in Chengdu, Sichuan Province, the planned use is for R&D, office space and supporting facilities.
Chongqing Science and Technology Park	Located in Chongqing, the planned use is for production plants, warehouses and supporting facilities.
Xi'an Science and Technology Park	Located in Xi'an, Shaanxi Province, the planned use is for R&D, office space and supporting facilities.
Shijiazhuang Science and Technology Park	Located in Shijiazhuang City, Hebei Province, the planned use is R&D, office space and supporting facilities.
Security Industrial Base (Tonglu)	Located in Hangzhou, Zhejiang Province, the planned use is for production plants, logistics warehousing center and supporting facilities.
Wuhan Intelligence Industry	Located in Wuhan, Hubei Province, the planned use is for production plants,

Term	Definition
Park	warehouses and supporting facilities.
Zhengzhou Science and Technology Park	Located in Zhengzhou, Henan Province, the planned use is R&D, office space and supporting facilities, etc.
EZVIZ Industrial Park	EZVIZ Smart Home Products' Industrial Base, located in Hangzhou, Zhejiang Province, is planned to be used for R&D, office space and supporting facilities of Hangzhou EZVIZ Network Co., Ltd.
Hefei Science and Technology Park	Located in Hefei, Anhui Province, the planned use is R&D, office space and supporting facilities, etc.
Nanjing Science and Technology Park	Located in Nanjing, Jiangsu Province, the planned use is R&D, office space and supporting facilities, etc.
Nanchang Science and Technology Park	Located in Nanchang, Jiangxi Province, the planned use is R&D, office space and supporting facilities, etc.
Innovative Business	<p>A long investment cycle, business prospects uncertain, has the high risk and uncertainty, in need for direct or indirect investment in exploration, in order for the Company to timely enter into new areas of business. Initially disclosed in <i>Announcement about Management Measures for Core Staff Investment in Innovative Business</i> (www.cninfo.com.cn).</p> <p>In this report, innovative business also refers to EZVIZ, HikRobot, HikAuto, HikMicro, HikSemi, HikImaging, HikFire, Rayin and their related business or products.</p>

Section II Corporate Profile & Key Financial Data

I. Corporate Information

Stock abbreviation	HIKVISION	Stock code	002415
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	杭州海康威视数字技术股份有限公司		
Abbr. of the Company name in Chinese	海康威视		
Name of the Company in English (if any)	HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD		
Abbr. of the Company name in English (if any)	HIKVISION		
Legal representative	Chen Zongnian		
Registered address	No. 555 Qianmo Road, Binjiang District, Hangzhou, Zhejiang Province		
Postal code of Registered address	310051		
Changes in the Company's registered address	The Company was listed on the Shenzhen Stock Exchange on May 28 th 2010. The original registered address was No. 36 Macheng Road, Xihu District, Hangzhou, Zhejiang Province. In 2016, the Company's registered address was changed to No. 555 Qianmo Road, Binjiang District, Hangzhou, Zhejiang Province.		
Business address	No. 518 WuLianWang Street, Binjiang District, Hangzhou		
Postal code of Business address	310051		
Company website	www.hikvision.com		
E-mail	market@hikvision.com; ir@hikvision.com		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Huang Fanghong	
Address	No. 518 WuLianWang Street, Binjiang District, Hangzhou	
Tel.	0571-88075998 ; 0571-89710492	
Fax	0571-89986895	
E-mail	hikvision@hikvision.com	

III. Information Disclosure and Place of the Report

The securities exchange website for the disclosure of the Annual Report	www.szse.cn
Media and website for the disclosure of the Annual Report	<i>Securities Times, China Securities Journal, Shanghai securities Journal, www.cninfo.com.cn</i>
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

<p>Unified Social Credit Identifier</p>	<p>91330000733796106P</p>
<p>Changes in principle business activities since the Company was listed (if any)</p>	<p>During the reporting period, the Company added the following to the business scope: production of commercial password products; development of network and information security software; Type II value-added telecommunications services; online data processing and transaction processing services (operating e-commerce); internet information services; general aviation services. The following phrases have been removed: manufacturing of consumer service robot, manufacturing of industrial robot, manufacturing of special operation robot, and sales of intelligent robot. At the same time, the Company adjusted some description of its business scope in accordance with the latest regulatory requirements of the industry and commerce authorities for business scope. After the change, the Company’s business scope covers: licensed items: production of Class II and Class III radiation devices; sales of Class II and Class III radiation devices; radioisotope production (except the radiopharmaceuticals for positron emission computed tomography); sales of Class II, Class III, Class IV and Class V radioactive sources; engineering and construction activities; type II value-added telecommunications services; online data processing and transaction processing services (operating e-commerce); Internet information services; general aviation services. (as for the items which by law are subject to approval, business activities can be carried out only after having been approved by the relevant departments, and the specific operation items are subject to the terms of the approval). General items: manufacturing of digital video surveillance systems; sales of digital video surveillance systems; manufacturing of security equipment; sales of security equipment; manufacturing of IoT equipment; sales of IoT equipment; manufacturing of intelligent unmanned aerial drones; sales of intelligent unmanned aerial drones; manufacturing of computer software and hardware and peripherals; wholesale of computer software and hardware and auxiliary equipment; manufacturing of communication equipment; sales of communication equipment; manufacturing of network equipment; sales of network equipment; manufacturing of display devices; sales of display devices; manufacturing of intelligent mobile equipment; sales of intelligent mobile equipment; manufacturing of auto parts and accessories; wholesale of auto parts and accessories; manufacturing of electric signal appliances and devices; sales of electric signal appliances and devices; manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; manufacturing of special labor protective supplies; sales of special labor protective supplies; production of commercial password products; sales of electronic products; sales of digital cultural and creative technological equipment; technical services, technical development, technical consultation, technical knowledge exchange, technology transfer and technology promotion; software development; development of network and information security software; information system integration services;</p>

	computer system services; research and development of IoT technologies; IoT technology services; IoT application services; big data services; data processing and storage support services; security system monitoring services; security technology defense system’s design and construction services; electronic and mechanical equipment maintenance (excluding special equipment); parking lot services; digital cultural and creative content application services; environmental protection monitoring; business training (excluding education and vocational training that require licensing); import and export of goods; import and export of technology (Except for items which by law are subject to approval, the Company can determine and carry out operational activities in accordance with the law by virtue of its business license).
Changes of controlling shareholders of the Company (if any)	No change during the reporting period

V. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Business address of the accounting firm	30F Bund Center 222 Yan An Road East Shanghai
Name of accountants for writing signature	Tang Lianjiong, Cai Jin

Sponsor institution engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable Inapplicable

Financial advisor engaged by the Company to perform the duties of continuous supervision during the reporting period

Applicable Inapplicable

Name of Financial Advisor	Office Address of Financial Advisor	Name of the lead financial advisor	Supervision Period
China International Capital Corporation Limited	27th & 28th Floors, Tower 2, China World Tower, No.1 Jianguomen Outer Street, Chaoyang District, Beijing.	Wang Jian ; Liu Jia	The remaining period of the first year of listing of Hangzhou Ezviz Network Co., Ltd., a subsidiary under the control of the Company, and the following complete fiscal year. (From December 28, 2022 to December 31, 2023)

VI. Key Accounting Data and Financial Indicators

Whether the Company performed a retrospective adjustment or restatement of previous accounting data

Yes No

Unit: RMB

	2022	2021	YoY Change (%)	2020
Revenue (RMB)	83,166,321,681.14	81,420,053,539.27	2.14%	63,503,450,891.78

	2022	2021	YoY Change (%)	2020
Net profit attributable to shareholders of the Company (RMB)	12,837,342,061.07	16,800,411,032.05	-23.59%	13,385,526,714.15
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	12,330,695,878.62	16,444,723,630.97	-25.02%	12,805,839,276.44
Net cash flows from operating activities (RMB)	10,164,135,382.38	12,708,524,686.99	-20.02%	16,088,156,566.67
Basic earnings per share (RMB/share)	1.370	1.810	-24.31%	1.445
Diluted earnings per share (RMB/share)	1.370	1.806	-24.14%	1.444
Weighted average ROE	19.62%	28.99%	-9.37%	27.72%
	At December 31, 2022	At December 31, 2021	YoY Change (%)	At December 31, 2020
Total assets (RMB)	119,233,282,761.47	103,864,543,195.18	14.80%	88,701,682,384.20
Net assets attributable to shareholders of the Company (RMB)	68,389,154,548.76	63,460,886,665.26	7.77%	53,794,311,162.05

The total share capital of the Company as of the previous trading day of the annual report disclosure:

The total share capital of the Company as of the previous trading day of the annual report disclosure (share)	9,363,932,789
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Fully diluted earnings per share calculated with the latest share capital

Fully diluted earnings per share (RMB/share) calculated with the latest share capital	1.371
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VII. Differences in Accounting Data between Domestic and Overseas Accounting Standards

1. Difference in the Financial Report of Net Profits and Net Assets According to the Disclosure of International Financial Reporting Standards and China Accounting Standards

Applicable Inapplicable

There is no difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards (IFRS) and China Accounting Standards in the reporting period.

2. Difference in the Financial Report of Net Profits and Net Assets According to the Disclosure of Overseas Accounting Standards and China Accounting Standards

Applicable Inapplicable

There is no difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards in the reporting period.

3. Explanation of the Differences in Accounting Data under Domestic and Overseas Accounting Standards

Applicable Inapplicable

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Revenue (RMB)	16,521,549,351.36	20,735,967,239.26	22,464,020,301.15	23,444,784,789.37
Net profit attributable to shareholders of the Company	2,284,174,955.78	3,475,079,819.48	3,081,001,112.19	3,997,086,173.62
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	2,210,077,663.70	3,435,781,353.81	2,879,656,597.51	3,805,180,263.60
Net cash flows from operating activities	-3,904,933,407.63	1,746,441,198.55	2,318,609,350.12	10,004,018,241.34

Whether there is significant difference between the above individual or aggregate financial indicators and that of what disclosed in the quarterly report, half-year report

Yes No

IX. Items and Amounts of Non-recurring Gains and Losses

Applicable Inapplicable

Unit: RMB

Item	2022	2021	2020
Profits or losses from disposal of non-current assets (including the write-off for the impairment provision of assets)	-18,617,582.10	26,069,469.18	-5,836,675.36
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous application according to the state industrial policy)	726,269,569.92	576,619,421.07	571,403,657.30
The investment cost of the Company to obtain subsidiaries, associates and joint ventures is less than the income generated by the fair value of the investee's identifiable net assets when the investment is obtained	-	1,163,932.96	281,193.50
Profits and losses attributed to change in fair value for derivative financial assets, derivative financial liabilities and other non-current financial assets; and investment gains and losses from disposal of derivative financial assets, derivative financial liabilities, and receivables financing, excluding the effective hedging business related to the regular business operation of the Company.	-99,112,871.09	75,408,081.63	98,373,869.75

Item	2022	2021	2020
Investment gains and losses on disposal of subsidiaries and other business units	3,550,851.71	-169,184,641.43	-
Other non-operating income and expenditures except the items mentioned above	72,446,008.81	-1,471,007.77	74,007,631.14
Less: Impact of income tax	74,392,826.66	29,930,824.64	109,931,807.07
Impact of the minority interests (after tax)	103,496,968.14	122,987,029.92	48,610,431.55
Total	506,646,182.45	355,687,401.08	579,687,437.71

Details of other gain/loss items that meet the definition of non-recurring gains and losses:

Applicable Inapplicable

The Company did not have other gain/ loss items that meet the definition of non-recurring gains and losses.

Explain the reasons if the Company classifies any non-recurring gain/loss item mentioned in the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses> as a recurrent gain/loss item

Applicable Inapplicable

The Company did not classify an item as a non-recurring gain/loss according to the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses> into a recurrent gain/loss item.

Section III Management Discussion and Analysis

I. The Industry Situation and Main Business of the Company during the Reporting Period

1. Business Overview

In 2022, Hikvision put its AIoT strategy into full swing. The Company is committed to serving a wide range of industries through IoT, perception, AI, and big data technologies, leading the future of AIoT. Through comprehensive perception technologies, we aim to help people better connect with the world around them, building the foundation of an intelligent world. With a wealth of intelligent products, we strive to identify and satisfy diverse demands by delivering intelligence at your fingertips. Through innovative AIoT applications, we are dedicated to empowering every individual to enjoy a better future by building an intelligent world that is more convenient, efficient and secure.

AIoT is a fundamental capability that provides the possibility of connection and interaction between people and things as well as between things, but the support of perception technology is needed to realize this possibility. As things lack the ability of active or passive perception, the comprehensive development of perception technology provides everything with the possibility of "perceiving" and "being perceived". Currently, perception technology is shifting its focus from familiar perception models to unfamiliar areas where direct perception is impossible, is growing from single perception to multi-dimensional perception fusion, and is evolving from non-intelligent to intelligent perception, thus transforming things into intelligent things. Hikvision's perception technology covers long waves from visible light to near-infrared, mid-infrared, far-infrared and millimeter waves, short electromagnetic waves such as ultraviolet light and X-ray, as well as short mechanical waves from sound to ultrasonic waves. Furthermore, the Company is expanding physical sensing technologies such as temperature, humidity, pressure and magnetic force, building a technical foundation for comprehensive perception. We deliver perception, multi-dimensional perception and intelligent perception to multiple industries and fields through products owing to continuous R&D and accumulation of perception technologies, so that perception and interaction between people and things and between things becomes possible, leading to the development of more applications.

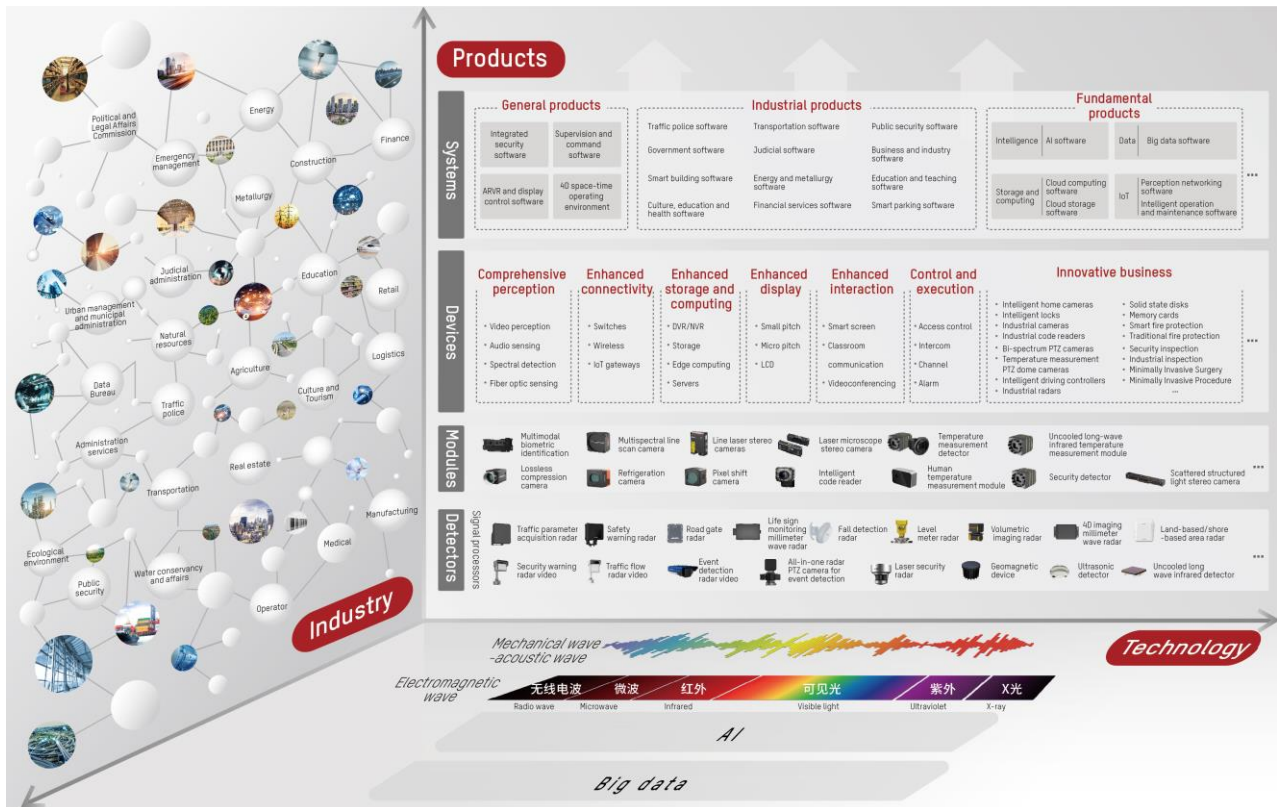
The development of AIoT is supported by the development of perception technology and relies on the development of AI and big data. AI and IoT are a good match as they are closely connected and complementary. The rapid growth of intelligent perception technology thanks to AI, coupled with the generation of big data of things,

paves the way for the application of IoT. The most basic application of AIoT may be the use of data from IoT devices to trigger simple alarms. For example, a thermal imaging camera sends an alarm for manual inspection after sensing an excessive temperature of the device, while in a more complex IoT system, a large number of sensing devices monitor multi-dimensional information in the production process. AI algorithms learn through massive IoT data, distinguish between signals and noise based on user needs, and continue to optimize and iterate so that devices and systems are able to make decisions, and take actions. This makes AI the soul of IoT. Hikvision has allocated substantial investment and resources to the construction of basic arithmetic power and big models, and the relevant capabilities have found applications in not only hardware and software products, but also user-oriented algorithm training including Hikvision AI Open Platform. Future breakthroughs in pre-trained large models and other intelligent technologies will result in greater value of AI.

The development of AIoT represents integrated development of a huge technology cluster, ranging from image technology (AI-ISP, image enhancement, multi-camera stitching, multi-spectral fusion), optical technology (lens, fill-in light, focus and zoom, anti-shake, Fresnel optics, etc.), environmental adaptation technology (high- and low-temperature, rain, snow and dust-resistant, explosion-proof, heat dissipation, etc.), passive detection technology (passive infrared, vibration sensing, glass breakage detection, tilt/displacement detection, etc.) to network connection, data aggregation, storage and calculation technologies, and to display, control, interaction and other application technologies. These technologies have collectively evolved from simple to engineered forms. With more than 20 years of product R&D and manufacturing, Hikvision has initially built the R&D foundation of common technologies from hardware, process materials, embedded software to system-level software development, big data and network security. The Company facilitates innovative R&D of products including detectors, modules, devices and systems through the combination and integration of common technologies and scenario-based application technologies.

The development of AIoT will remain driven by the individual needs of users for quite a long time. As AIoT applications are scenario-driven ones, scenario-defined products and solutions will be the dominant business format. However, the specific use of AIoT applications varies with industries due to different characteristics and business operation models of each industry. Even different users in the same industry may have their unique needs. Hikvision has more than 30,000 hardware products, which are the result of expansion of previous business scenarios and the foundation for future development of more applications. The Company will continue to promote the "baseline" + "customization" model, and enrich our product matrix, maintaining a balance between products and application

needs. Combining multi-dimensional perception with AI and big data, we have created tens of thousands of products from detectors to system solutions that cover more than 300 scenarios across over 70 sub-sectors in 10 industries. These technologies, products and consumer needs promote one another through continuous changes, updates and iterations, becoming a competitive driver of Hikvision's technological innovation.



The future of AIoT is the integration of user needs with AIoT technologies, devices, and systems. Their growing ease of use and declining cost will make everything perceivable and linkable. Just as the World Wide Web or Internet, IoT will not be mentioned anymore in the future because it will be the basic state of things, and people will live in a new era created by AIoT.

2. Business Structure

Hikvision’s business can be summarized into three types of supporting technologies, five categories of software and hardware products, four system capabilities, two types of business organizations and two marketing systems. Among them, the three supporting technologies include IoT perception technologies, AI technologies and big data technologies; the five categories of software and hardware include IoT perception products, IT infrastructure products, platform service products, data service products and application service products; the four system

capabilities include system design and development, system engineering implementation, system operation and maintenance management and system operation services; the two types of business organizations cover three business groups (public business groups-PBG, enterprise business groups-EBG and SME business groups-SMBG) and eight innovative businesses (smart home, mobile robots and machine vision, infrared thermal imaging, auto electronics, intelligent storage, intelligent fire protection and control, intelligent security check, and intelligent medical services); the two major marketing systems refer to the domestic business marketing system and the international business marketing system.

3. Product Family

3.1 Hardware Product Family: Edge Node Comprehensive Perception + Edge Domain Scenario Intelligence + Central Intelligent Storage and Computing

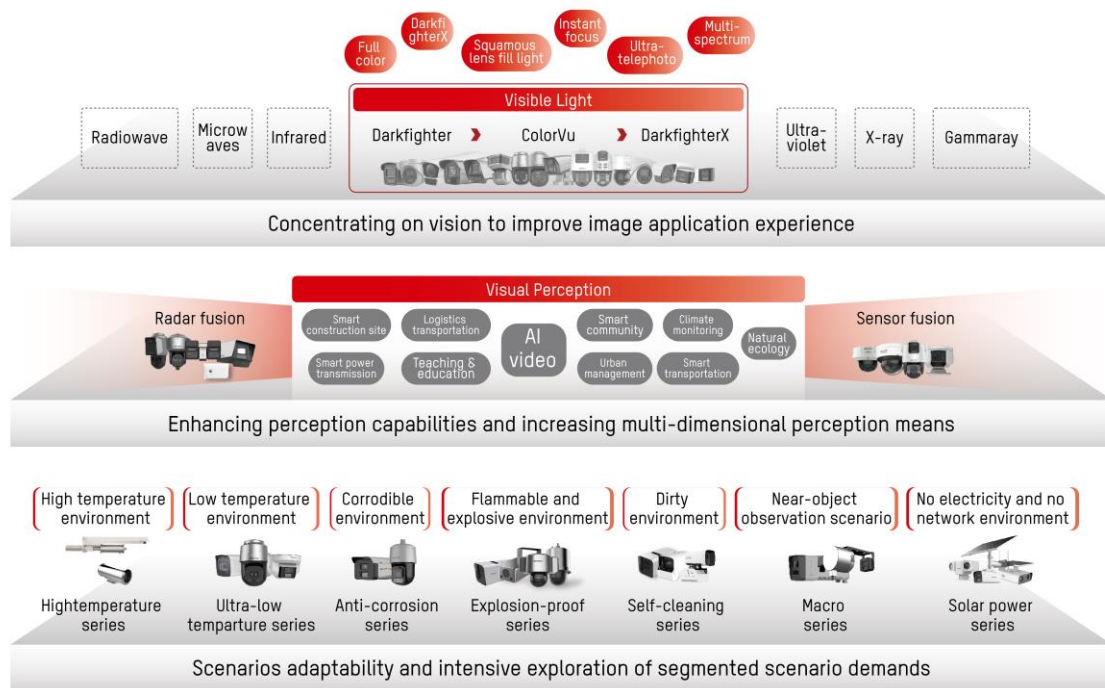
Hikvision has been expanding its means of perception, enriching scenario-based product options, and improving full system processing capability, with flourish development in its multiple-echelon products such as edge nodes, edge domains and cloud-center devices.

3.1.1 Edge Node Products: Comprehensive Intelligent Perception and Enriched Product Mix

Hikvision has many types and groups of edge nodes products, continues to complement the product family, integrates multi-dimensional perception means, and optimizes product design considering scenario-based needs, providing a solid ground for intelligent applications of cloud-edge fusion, IoT-information network fusion, and big data-AI fusion.

1) Front-end Cameras

Cameras have shifted from conventional video surveillance terminals to the most important AIoT terminals in the Internet of Everything. Focusing on visual technology, Hikvision enhances multi-dimensional perception capabilities, continuously expands application scenarios, and achieved the digitization of everything with comprehensive perception means to build the infrastructure of intelligent applications.




Concentrating on vision to improve image application experience

Hikvision stays focus on the research of optical imaging area, with an aim to address such problems as the limited view of traditional cameras, unclear imaging at night, and limited intelligent applications, continuously strengthening the product concept of ultra-HD, full-color and panoramic details, enriching product mix, and upgrading intelligent applications.




In order to expand the all-weather field of view and reduce the safety hazards in the monitoring blind spot, the Company created the technology of multispectral fusion panoramic stitching to achieve 190° low distortion and 20:9 wide format, making the color bending more natural.

Limited Visual Field

Stitching with a server?
High cost, complex system application, unsteady performance



With a monocular wide-angle camera?
Larger distortion and limited monitoring distance

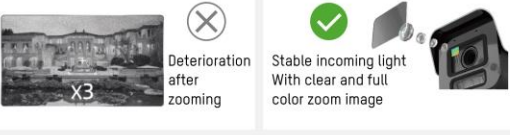
In order to improve the adaptability of the camera to the night-time environment, the Company strengthened the zoom full-color capability, to achieve constant large aperture zoom with a large focal length, stabilize light amount, and ensure clear and bright picture colors. In order to solve the problems of uneven brightness and poor permeability of traditional fill light, the Company has developed its own "squamous lens fill light" technology, where the light is reflected by the scaly reflector, and the light field is uniform and soft, which reduces diffuse reflection caused by the dirt of the transparent dome, and greatly improves the effect of fill light.

Low Adaptability at Night

Multi-scenario full color ← High efficient fill light

(Zoom ColorVu Camera)

Large focal length and constant large aperture zoom



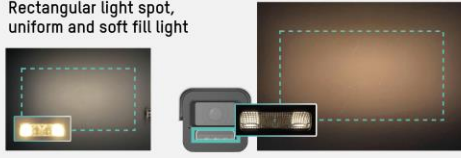


Zoom full colorX2.8mm Zoom full colorX12mm

("Squamous lens" fill light)


Fill light effect improvement

Rectangular light spot, uniform and soft fill light



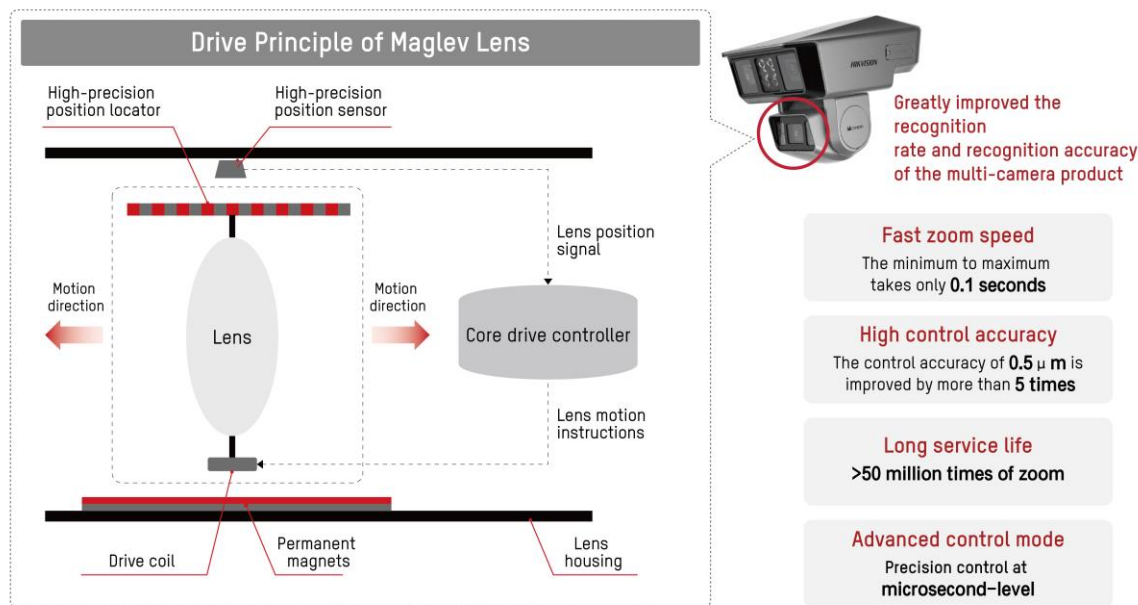
Traditional fill light: uneven with vignetting Squamous lens fill light: even and less vignetting

Improved light leakage and clear imaging



Traditional fill light: blurry image Squamous lens fill light: clear image

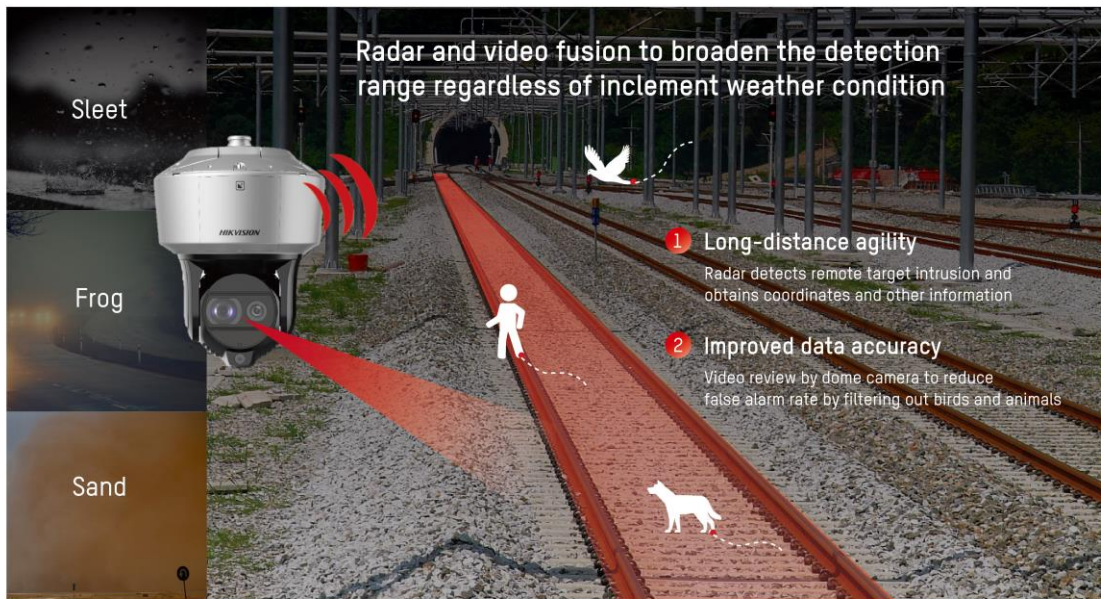
In order to solve the problems of slow zoom speed, unclear focus and shaking during focusing process in wide-range and long-distance application scenarios, Hikvision launched the innovative focus technology, which adopts a method that is driven by the magnetic levitation lens to complete zoom + focus in 0.1 seconds, greatly improving zoom and focus speed of lens.



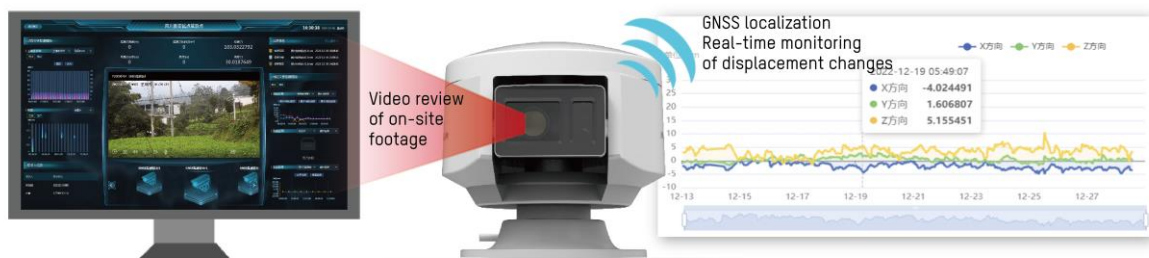
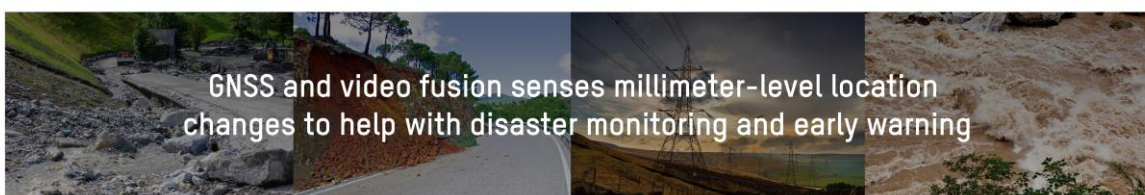
Enhancing perception and increasing multi-dimensional perception means

Based on visual perception, Hikvision integrates multi-dimensional perception methods to broaden perception boundaries and expand forms of intelligent application.

There are problems such as poor lighting conditions and complex environment in railways, ports, airports and other scenarios of open environment, which limit the range of video detection in intelligent applications such as target intrusion and recognition, and are prone to the impact of rain and fog. More accurate kilometer-level intrusion detection, ship identification and other intelligent applications may be achieved by integrating the radar perception module, the deep technology fusion of phased array radar and visual perception, and integrating environmental visualization and detecting multi-dimensional information such as target location, distance and speed.



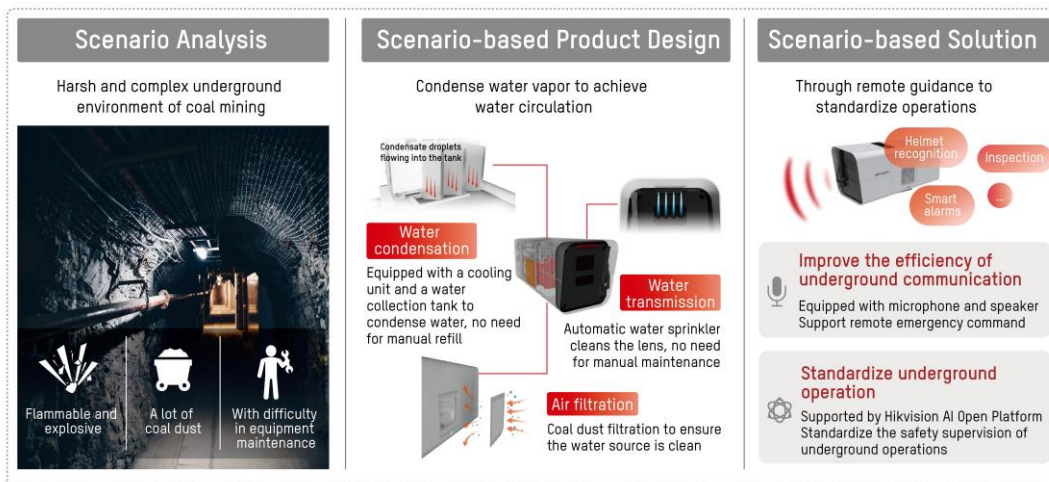
In scenarios prone to geological disasters such as slopes, dams, pole towers and tailing reservoirs, in order to solve problems such as hard to monitor, low monitoring accuracy, and monitoring is not visible when detecting deformation such as subtle offset and settlements, Hikvision launched a displacement observation dome, which integrates satellite positioning technology with video technology and high-precision analytical algorithm to achieve millimeter-level 3D accurate perception of the monitoring subject, provides 24/7 long-term monitoring, improves the perception efficiency of geological disasters caused by deviation and settlement, and helps with disaster monitoring and early warning and emergency management.



Scenario adaptability and intensive exploration of segmented scenario demands

Hikvision merges engineering thinking with technology, and develops cameras based on different scenarios, built for real-life usage, with optimized structure, imagine, intelligence, maintenance, and security.

One example is explosion-proof products. Hikvision has expanded from traditional explosion-proof for factory use to explosion-proof for mining use, and application scenarios from petroleum and petrochemical to underground coal mine, enriching the product portfolio to adapt to complex demands of multiple scenarios and creating scenario-based product solutions. For example, in terms of explosive, dim and harsh environment of underground coal mines, Hikvision launches an intrinsically safe camera with self-cleaning function for mining use, which is at an intrinsically safe explosion-proof level and can realize underground ultra-HD full-color imaging. Additionally, with the air filtration technology and self-cleaning system equipped, it can effectively remove coal dust and ash and other particles, keep the lens clean and the picture clear, thus to ensure safety production and facilitate to build intelligent mines.



In the hydroelectric meter reading, production quality managing of coins, cracks monitoring of historical sites and other scenarios that require close-up observation, there are issues such as unclear focus, interference of complementary light reflection and others. Hikvision cameras under macro series adopt VCM voice coil motor to realize automatic focusing and polarization fill light, achieving 10-50cm close-range color imaging at all weather.

To fulfill the need of real-time monitoring in cold storage and low-temperature scenarios such as agricultural product storage, fresh food logistics, and pharmaceutical storage, Hikvision cryogenic cameras adopt lens self-heating, glass defogging and other technologies to solve the problem of lens fogging caused by the temperature difference when opening and closing doors, which ensures clear pictures and achieves the safety management of

cold storage materials.

2) Smart Traffic and Mobile Devices

Smart Traffic: Hikvision’s product portfolios with eco-friendly capture system keep iterating. The Company participates in the formulation of relevant industry standards, and promotes the whole society to address the issue of light pollution. In multi-dimensional perception products such as radar video, Hikvision integrates the multi-dimensional perception capabilities of video, radar, RFID and ETC, and widely applies products in traffic management, perimeter protection, industrial measurement and other fields.

In the field of traffic management, the Company facilitates digital pathway and improves comprehensive road management and control capabilities. The Road Pre-alarm Safety Series products, provide 24/7 roadways surveillance and proactive risk alarm, with an emphasis in traffic regulation enforcement and road surveillance in order to provide security early warnings for traffic participants and reduce road safety hazards. The Radar-Video Assisted Vehicle Detector offers 24/7 precise, remote monitoring of roadways, high-precision road information collection, together with proprietary smart signal systems and "weight balancing" adaptive algorithms, constituting a holistic self-contained signal control system that spans diagnostics, simulation, operation, evaluation and adjustment. Meanwhile, more effective scenario-based signal control can be achieved by combining with more signaling devices such as variable lanes device. In the field of perimeter protection, the 3D spatial fusion technology with long-range, ultra-long-range radar and video is used to help the intelligent management of water traffic vessels and the control of railway perimeter. In the field of industrial measurement, 3D modeling of data collected by laser and millimeter-wave radar are used to measure the volume of the stack.



Entrance and exit parking products: Hikvision is extensively involving in the application of refined management of parking lots and parking spaces, and its products cover entry/exit, parking lots, street parking and others. The Company applies eco-friendly dual-sensor technology to cameras at entrance and exit to reduce light pollution. The technology of super-resolution image intelligent restoration is applied to roadside high-position cameras to effectively improve the detection and recognition rate. By improving the intensive level, intelligent and digital capabilities of the system, the Company keeps iterating the product portfolio such as the Guardian Series (snapshot and display all-in-one machine) and the Roadside Parking Camera Series, enriching the product mix and improving the scenario-based solutions. The Company further expands channels and enhances service capabilities, while digging deep into urban parking business management to help improve urban parking efficiency and the parking experience of the citizens.

Mobile terminal products: Hikvision focuses on mobile law enforcement, mobile operations and other fields. The Company adopts video stabilization technology to launch forward recorders, applies intrinsically safe explosion-proof technology to launch explosion-proof recorders, integrates low-power consumption technology with ergonomic design to launch helmet-mounted cameras, operation assistants and other operate-wearable products to facilitate mobile visual management scenarios such as mobile law enforcement, production safety management, construction site inspection, offering financial services. Based on barcode/character recognition technology and leveraging customized operating systems, the Company has launched a series of mobile intelligent data terminal products such as field-based full-screen model, button version, 5G model, industry-specific PDA, supplemented by application mall, device cloud management platform and other services, to provide data collection, scenario-based intelligent identification and analysis capabilities for manufacturing, express logistics, retail e-commerce, medical and health, public services and other industries.

3) Access Control, Intercom and Alarm Products

Hikvision's access control, intercom, channel, alarm and other products focus on integrated management of spatial scenarios, business development and innovation, and together with industry applications, have formed scenario-based solutions covering access control, attendance, visitors management, elevator control system, financial checkout, inventory management, building intercom system, medical intercom system, turnstile, emergency alarm, intrusion alarm, perimeter prevention, and so on.

Taking "MinMoe" as the core, Hikvision access control products focus on the research and integration of basic technologies such as multi-modality, break through traditional infrared solutions, and integrate radar, laser and other

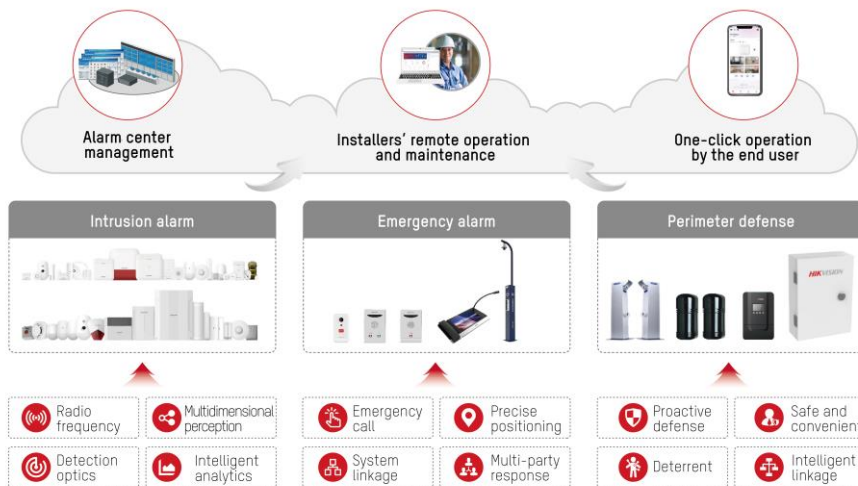
technologies to create global receptive field. The Company develops intensively small scenario-based solutions, polishes specialized products for segmented scenarios, and has launched novel products such as all-in-one intelligent turnstile series and distributed intelligent access control series, providing customers with one-card/one-code and more diversified solutions for all scenarios.



Hikvision’s visual intercom products are committed to optimizing interaction, improving sound quality, reducing latency and upgrading intelligent applications on the product side, promoting the fusion of intercom systems, smart homes, alarm systems and others, and constantly enriching their application in multiple vertical industry scenarios such as residential building, hospital, prison, and finance building.



Hikvision has invested heavily in wireless radio frequency, detection optics, low-power design and other technical fields, integrating the application of displacement, microwave, infrared and other perception technologies, expanding the application of voice intelligent analysis, and continuously improving the comprehensive competitiveness of its product technology. In the field of intrusion alarm products, the Company developed a new generation of wireless and hybrid intrusion alarm systems, which further promotes cloud-based comprehensive alarm services, enriches scenario-based applications, and creates value for customers. In the field of perimeter alarm, the Company further iteratively expanded its product line, and launched a series of products such as stepless voltage regulation network-type intelligent fence and regional vibration detection product, to facilitate continuous expansion of application in energy and chemical industry, cultural protection and other industries. In the field of emergency alarm, the Company went deep into business applications and taking video intercom as the core, launched a series of products based on voice intelligent recognition technology.

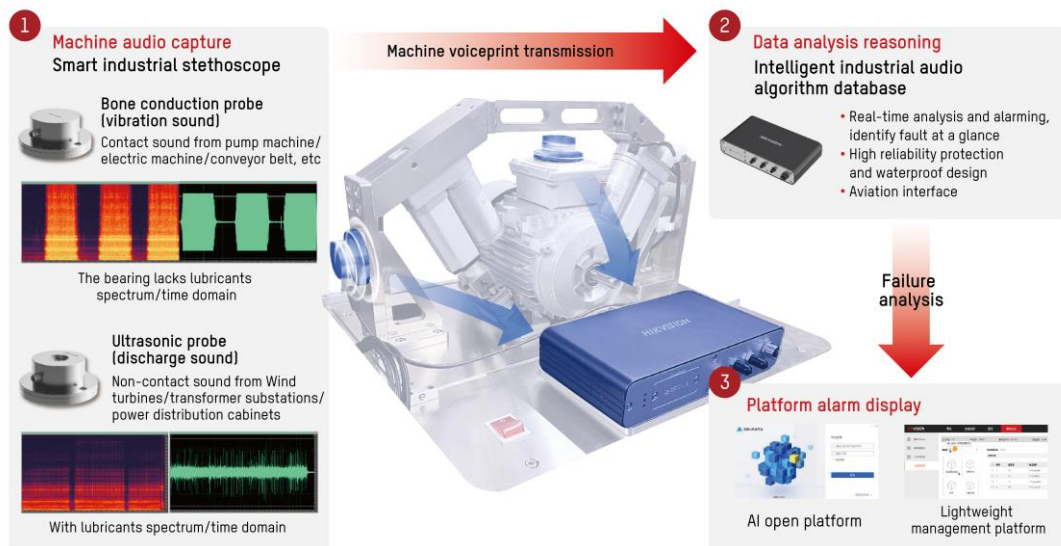


4) Audio products

Industrial audio – identifying by acoustic imaging, improving the efficiency of equipment operation and maintenance management

Hikvision has core technologies such as acoustic imaging, acoustic wave recognition and sound source localization. Focusing on industrial inspection, intelligent manufacturing and other fields, it deploys industrial audio products such as industrial auscultation microphones and online acoustic imagers, and provides new equipment online operation and maintenance and remote inspection methods to improve equipment operation and maintenance management efficiency.

Industrial stethoscope could be deployed with zero-sample. By collecting vibration sound through bone conduction sensor, or discharge sound through ultrasonic sensor, it can extract the machine running voiceprint. It takes only 1 hour of normal audio data to generate the model autonomously and achieve real-time monitoring of the running status of pump machines, electric machines, wind turbines, conveyor belts, power distribution cabinets and other machines and early warning of abnormal faults through AI model comparison, which improves the reliability of the system.



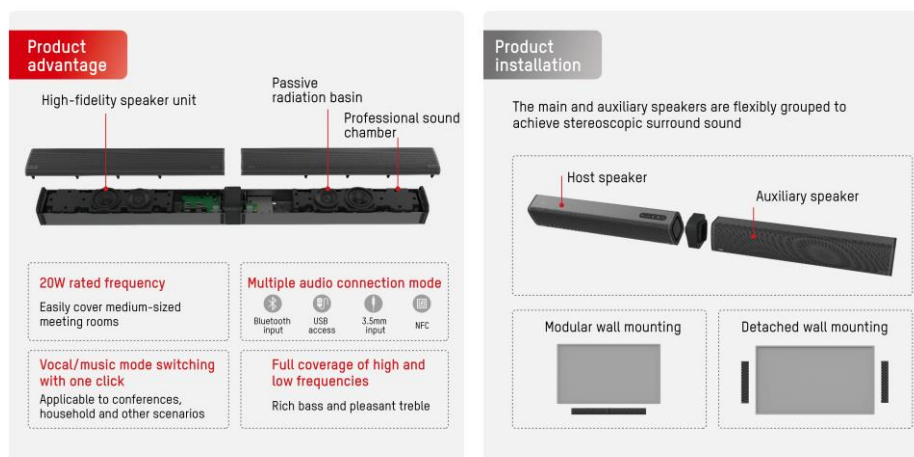
Through the integration of microphone arrays and camera components, the online acoustic imager locates the sound of the monitoring target in the frequency band by adopting the sound source localization algorithm. It can achieves sound visualization in the form of color cloud map, and displays the distribution of sound sources in the visual field, which can be used for faults location and online real-time sound monitoring of partial discharge, gas

leakage, equipment abnormal noise and other faults in industrial scenarios such as transformer substations, wind turbine cabins and chemical plants.

Conference Audio - Clear and immersive sound to help provide a high-quality conference interactive experience

Hikvision has core technologies such as acoustic array, AI noise reduction, multi-source positioning, ultra-low latency algorithm and other core technologies including sound source acquisition, transmission, and demodulation. Hikvision has professional acoustic laboratories, various acoustic testing instruments and equipment, professional acoustic simulation software, as well as the ability to develop, design, manufacture, simulate and test audio signals of audio products including audio unit, audio cavity, audio circuit and audio system. The Company provides audio products for large, medium and small scenarios, such as plug-and-play microphone speaker series, easy-to-install Hi-Fi conference speakers, medium and large professional conference products kit and other products, which adapt to the conference sound field, improve the user experience of remote interaction, and bridge the communication distance for off-site meetings.

In particular, the Hi-Fi conference speaker is specially designed for the conference system, which can be flexibly installed and deployed. Equipped with a low-frequency passive radiation cavity, the tones generated by Hi-Fi speaker unit is clean at the middle and high frequencies, mellow at the low frequencies. Specially, the internal structure uses a cushioning design to further reduce the internal resonance noise and provide high-quality audio for the conference room.



5) Sensors

Hikvision's distributed positioning optical fiber sensors "sense" and "transmit" external signals simultaneously by using light waves as the carrier and optical fiber as the medium. Compared with traditional sensors, distributed positioning optical fiber sensors have the advantages of high positioning accuracy, high detection sensitivity, long detection distance, good electrical insulation performance, strong anti-electromagnetic interference, curvable shape, small size, corrosion resistance, among others, and can detect temperature, pressure, vibration, displacement, speed, voltage, current and other physical quantities online in real time.

Distributed positioning vibration optical fiber - interconnected vision and precise positioning improve the overall utilization rate of the monitoring system

Hikvision's positioning vibration optical fiber quantitatively restores the vibration signals and accurately locates disturbance positions by adopting the principle of Rayleigh scattering and patented demodulation technology. With AI acoustic wave recognition algorithm, it effectively filters out false alarms to achieve intelligent classification and early warning. After the vibration optical fiber captures the disturbance signals, the cameras can be linked for cross-check, which can not only improve the utilization rate of the cameras, but also help cover the blind spot of the cameras and improve the overall operation efficiency of the perimeter system. The products are widely used for perimeter prevention of important places such as valve chambers, oil and gas pipelines, petroleum refineries, cultural and museum buildings, railway perimeters, telecom optic fibers, as well as the application of early warning for external damage prevention of long-distance pipelines and optical cables.






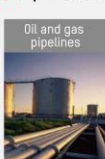




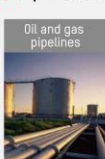




























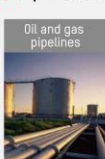














Distributed positioning auscultation fiber – Remote monitoring improves the inspection, operation and maintenance efficiency of conveyor belts

Adopting the principle of Rayleigh Scattering and sensitized industrial diagnostic detection technology, Hikvision positioning auscultation fiber restores acoustic signals, accurately locates the faults locations, while detecting the equipment faults and early warns by relying on intelligent acoustic algorithms for single-classification industrial diagnosis. All sounds are generated by vibration, and are propagated by the form of sound waves. So optical fiber help remotely detect the faults of conveyor belts faults by restoring sound waves based on vibration detection. Thus, manpower could be saved since site inspection is not necessary and operation and maintenance efficiency is improved. The products can be widely used to detect abnormalities of heavy-duty belt conveyors in a variety of scenarios including coal mining, thermal power generation, building cement, iron and steel metallurgy,

ports and so on.

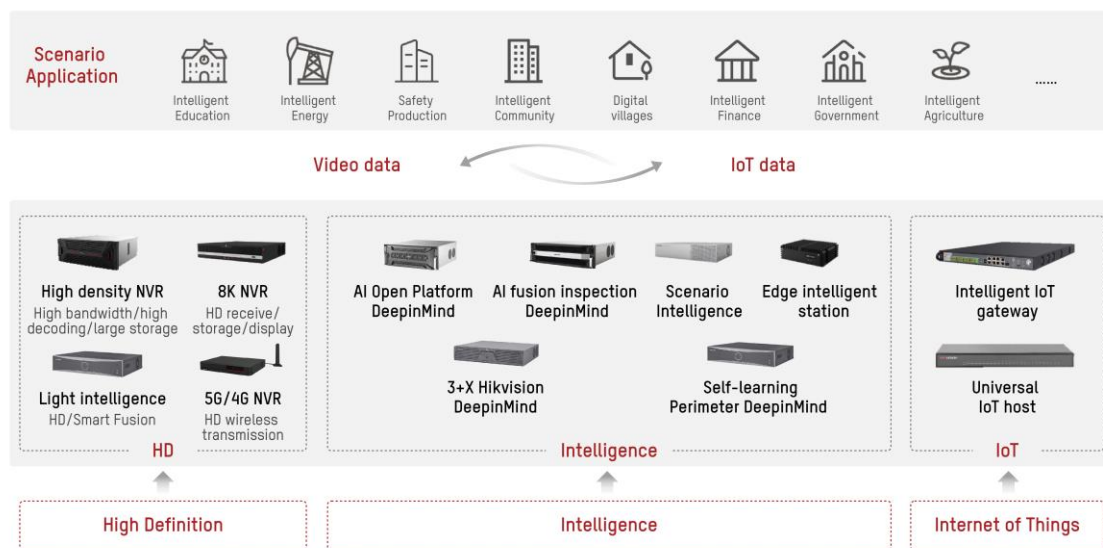
Distributed positioning temperature measurement optical fiber – 3D temperature measurement, visual display, ensuring the safety of industrial production and manufacturing

Hikvision’s temperature measurement optic fiber products obtain the temperature spatial distribution information leveraging the principles of Raman scattering and optical time-domain reflection. For key devices such as lasers, optical switches and detectors, the Company has significant technical and cost advantages in terms of hardware designing, manufacturing, material matching and intelligent algorithms. The front-end optical fiber does not need power supply, and can also resist high-voltage and strong electrical interference, which is intrinsically safe without risk of explosions and suitable for flammable and explosive scenarios. The optical fiber material is characterized by high deflection, small wire diameter (<3mm), which is easy to install and can be easily laid according to the shape without network and electricity. The product is suitable for internal temperature measurement in scenarios with limited spaces such as battery cell racks, hazardous chemical racks, switch cabinets, power distribution cabinets, energy storage cabinets, and long-distance temperature measurement of linear objects such as power transmission cables, oil and gas pipelines, thermal pipelines, which is widely used in new energy warehouses, thermal pipelines, power pipelines, oil and gas storage tanks and other scenarios.

																			
<p>Distributed vibration fiber</p>	<p>Distributed auscultation fiber</p>	<p>Distributed temperature measurement fiber</p>																	
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3.1.2 Edge Domain Products: Further develop intelligent business scenarios and expand AIoT applications

Hikvision constantly deepens the application scenarios of domain-level products, and makes breakthroughs and innovations in industry applications. With the videos being upgraded from high-definition to ultra-clear image, the in-depth development of AI technology and the integration of intelligence and Internet of Things, Hikvision achieved multi-dimensional data transmission, storage and fusion applications, making the products more in line with the development of the IoT era. The company is increasing its openness and gradually building an open ecosystem for AIoT to help customers upgrade their business.



1) Integrated Devices for Intelligent Applications

DeepinMind NVR, Core Product for Edge Domain: In 2022, Hikvision DeepinMind NVR kept improving user experience, developing innovated AI technology, strengthening traditional video services, deepening intelligent industry businesses, and rapidly upgrade the product systems.

Hikvision keeps promoting "inclusive AI" and enriched lightweight intelligent products. In 2022, Hikvision adhered to the trends of high definition and intelligence, releasing the 8K NVR and leading the industry in the development of high-definition. It features HD recording, lightweight AI applications, multi-dimensional perception, and on-demand data aggregation, which is intelligent, cost-effective and easy to use. Hikvision DeepinMind achieve "algorithm self-learning", greatly improving the accuracy and automatic evolution of applications such as perimeter prevention, and facilitates intelligent prevention upgrades.

Hikvision delves into intelligent industry business, gains insight into customer needs, and enhances product capabilities. Focusing on the intelligent application of the industry, the Company has launched a variety of intelligent product packages for scenarios such as cleaner kitchens, intelligent construction sites, intelligent emergency management, intelligent power grid, and AI inspection DeepinMind fusion server to meet the intelligent upgrade needs of the industry. Hikvision continued to improve DeepinMind computing, and achieved continuously iterative in new technologies such as AI chip virtualization, algorithm orchestration, and algorithm self-learning. Hikvision adheres to the concept of open cooperation, and establishes extensive ecological cooperation system while providing the AI algorithm training capabilities and the HEOP protocol to the ecological partners.

AIoT gateway—Multi-Dimensional Data Fusion Products: AIoT technology is developing rapidly, and the data is richer and diverse. Hikvision domain-end AIoT products support data aggregation, data forwarding, data fusion, intelligent analysis, and comprehensive application, which fit for small and medium-sized scenarios and distributed scenarios. It supports application closed-loop of multi-dimensional perception data, and create value for customers with data.

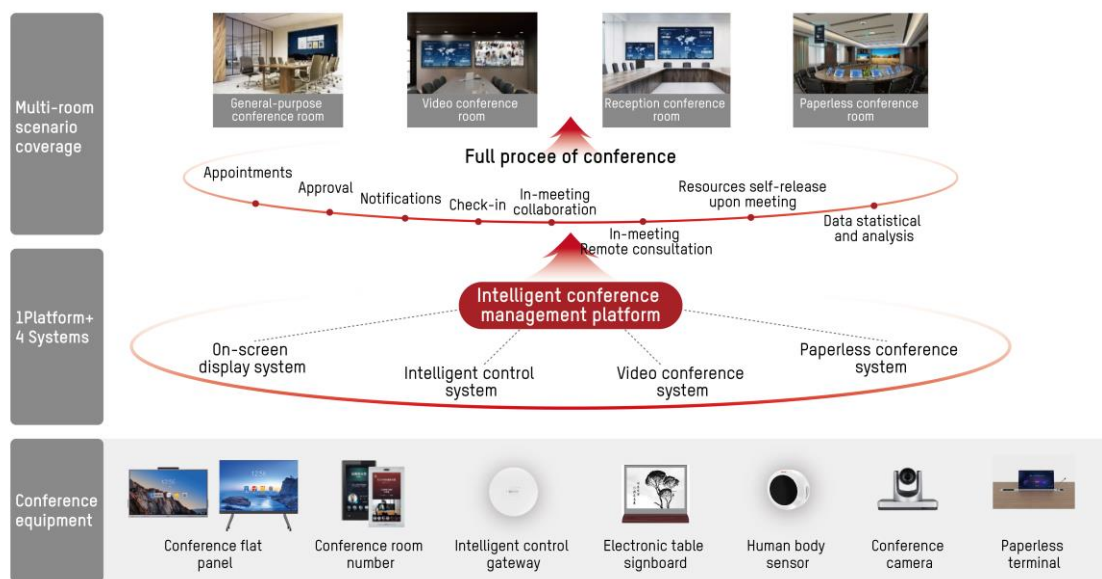
2) Smart Display and Video Conference Products

Hikvision smart display and video conference products leverage screen display, touch interaction, video conference and other technologies to create intelligent terminals and systems for the digital era. The products integrate various media in physical space to provide integrated solutions for smart conference rooms, smart classrooms and other scenarios through display, viewing and interaction.

Smart Display Products: In 2022, the performance of smart display chips have been greatly upgraded, and audio and video effects have been significantly improved. All series of conference flat panel chips have been upgraded, and the comprehensive computing performance, the screen rendering capability have been significantly improved, which perfectly support the mainstream video conference software. The enhanced pickup ability of built-in microphone supports up to 15m sound pickup, intelligent sound screen adjustment and multi-angle directional sound pickup. It also provides conference speaker mode and standard speaker mode in wall-mounted and mobile bracket installation scenarios. The conference mode focuses on the clarity and comfort of the sound, while the standard mode focuses on sound fidelity and sound quality. In terms of smart blackboards and interactive all-in-one machines, the chips have been upgraded, while the touch response speed and the interaction fluency has been significantly improved. The Company upgraded the visual angle and image quality of the built-in camera, so that

the classroom can be viewed completely and clearly. The speaker is all-roundly upgraded to ensure the coverage of every corners of the classroom, while the sound quality is optimized for specific scenarios such as listening tests to ensure that the sound is highly restored. For other related devices such as microphones and high-speed scanners, the Company improved the product compatibility to facilitate efficient teaching.

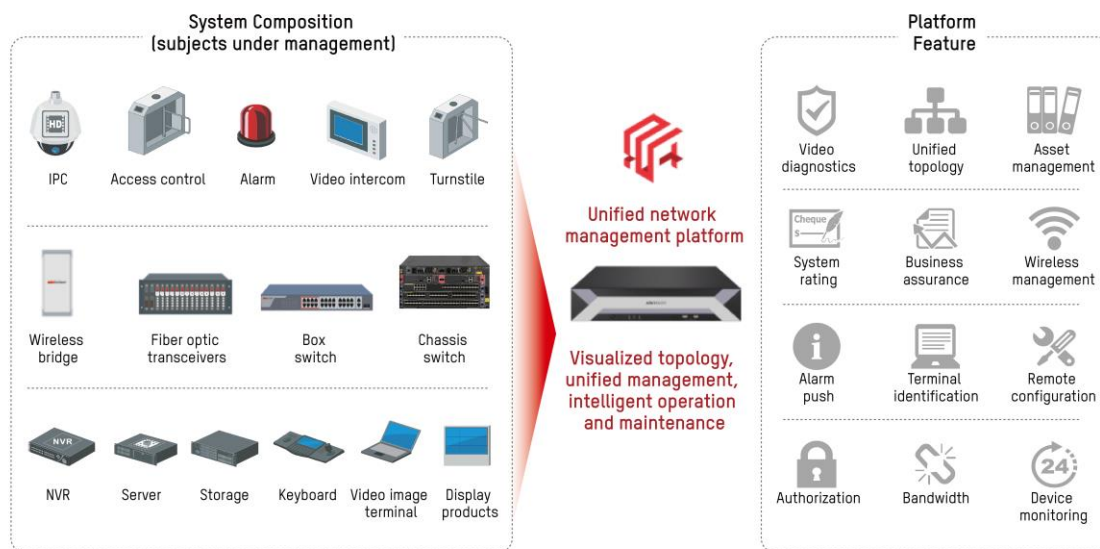
Video conference products: In 2022, the product of video conference system was completely upgraded. The whole system was upgraded to 4K ultra-high-definition resolution and integrated with microphone array and intelligent noise-canceling algorithm, supporting intelligent functions like intelligent voice, real-time captioning, electronic nameplate, speaker positioning and provides users with a good remote conference experience.



Conference Management Software: In 2022, the rapidly iterated software version and gradual expansion of application scenarios accelerated the formation of the intelligent conference room solution. The conference management platform takes the conference flat panel as the core, and is equipped with the peripheral conference room devices, combined with the business applications that control the entire meeting processes. The conference management platform supports flexible switching between multiple scenarios, which can automatically control the conference devices and the parameters. Moreover, it supports the connections between the online and offline conference, and can connect with Tencent Meeting and EZVIEZ Conference (萤石易会). The conference management platform supports the management of multiple types of scenarios such as general meetings, video conferences, reception meetings, and paperless meetings, leading to the initial formation of the intelligent conference room solution.

3) Intelligent Video Transmission Products

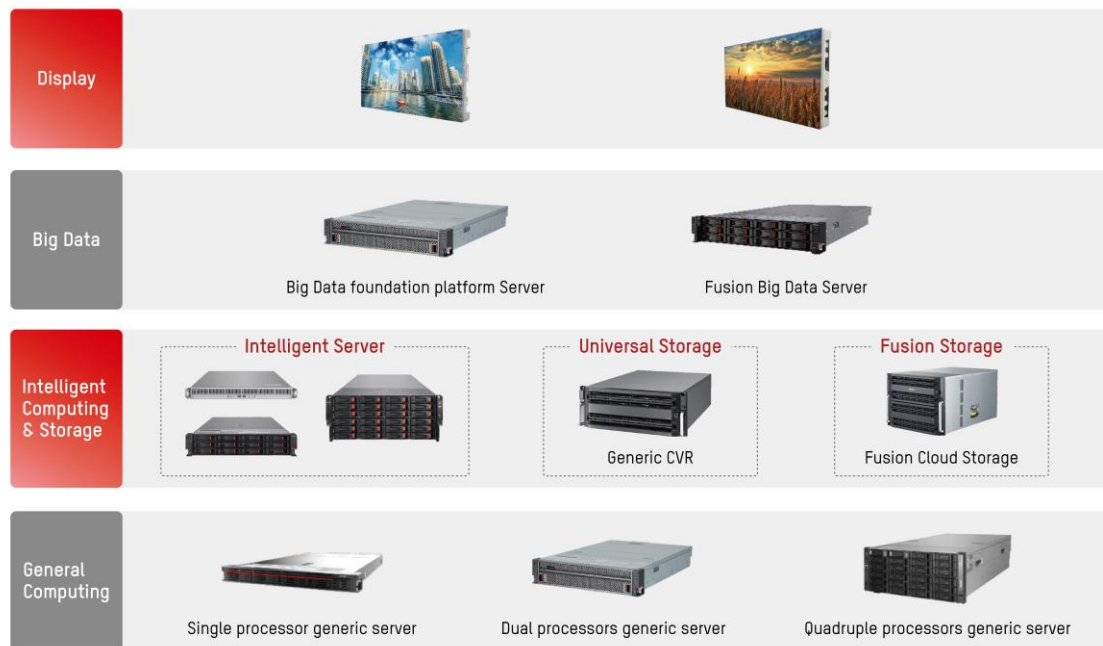
Network nodes are the nexuses and hubs of Internet of things, and Hikvision intelligent video transmission products can handle up to 5,000 video channels, providing stable and reliable network support for various scenario-based applications. In 2022, the Company expanded the application of intelligent video transmission system in scenarios such as highways, ports, primary and secondary schools, energy, scenic spots, enterprise zones, and commercial complexes. In the highway scenario, relying on the ring network architecture, the reliability of network can be effectively improved as the network topology manages the cameras of toll stations, road sections and service areas. In primary and secondary school scenario, the campus network and security network have achieved unified construction and centralized management, thereby shortening the construction period and saving costs. In the scenic scenario, industrial switches can operate stably in environments with high humidity and large temperature differences, and the high speed data transmission of the wireless bridge can reduce the wire installation and maximize the protection of the natural ecology. In the future, the Company will keep expand its applications to help customer reach a smart way to operate and maintain the network.



3.1.3 Cloud Center Products: A Solid Ground with Steady Improvements in Product Capabilities

With the advent of the AIoT era, digitalization has become a trend. The amount of data computing has increased significantly, resulting in an increasing demand for basic IT infrastructure. Hikvision continues to improve its central computing and storage capabilities, with a rich product portfolio such as general computing server,

intelligent computing server, big data server, converged storage, large-screen display and control, etc., providing a complete AIoT-based IT solutions.



1) General Computing Products

Hikvision has a variety of generic server products, providing X86/ARM and other products of mainstream technology routes. It has launched various forms of server products from edge to center, including edge servers, general-purpose workstations, tower servers and rack servers to meet the demands of the IoT and IT markets, providing high-performance, high-reliability, and high-security computing infrastructure for various industries.

2) Intelligent Computing Products

Intelligent servers provide intelligent computing capabilities required by AI, big data, and platform services. Hikvision's products are constantly upgraded and innovated. Taking central computing as the major scenario, it focuses on improving the performance and stability of the product as a whole, continuously improves the software and hardware ecology, and has built a diversified technical route, which ensured good compatibility and cost performance, as well as product competitiveness. The Company adopts new technologies such as self-learning and large model to continuously improve the accuracy of algorithms, while improving the ability of algorithms to solve complex scenario problems, forming a complete algorithm system.

3) Universal Storage Products

Over 18 years of accumulation in R&D, Hikvision's storage products cover various business scenarios, forming a complete product system of file storage and block storage. Based on its extensive understanding of different scenarios, it has formed a dual system of server architecture and multi-controller architecture supported by the hybrid flash (HDD and SSD hybrid storage) and all-flash (full SSD storage) technologies, which better supported the application of fusion storage, distributed storage and cloud storage, and greatly improved the capacity to undertake private and public cloud solutions.

4) Fusion Storage Products

In order to meet the storage needs of IoT's multi-dimensional perception data, Hikvision has launched a multi-dimensional perception data storage solution based on powerful video stream storage capabilities. With a more optimized and more suitable storage model for business applications, it ensures the fast, safe and effective storage of various non-standard format data of AIoT. Products are widely used in various industries, and in the research report released by IDC¹, Hikvision's stream storage products ranked in the forefront in terms of sales.

Based on its profound understanding of massive data storage such as videos and images, Hikvision released a video cloud storage system based on stream storage technology, providing a storage resource pooling solution for large-scale image applications. At present, it has covered multiple series of products in different scenarios from stand-alone to cloud-based solutions, from small disk locations to high-density solutions, and from non-standard scenarios to standardized computer room applications, which satisfies the growing data storage needs.

5) Large Screen Displays and Control Products

Hikvision's display products, powered by video processing technology, image restoration technology, image augmentation technology, ultra-high-definition technology, and smart interaction technology, is widely used in scenarios such as monitoring centers, command centers, cloud center and big data center. The Company continues to invest in Mini LED, COB and energy efficient products, improving heat dissipation with innovations such as flip installation and common cathode technology, and expanding its presence to conference room scene. Focusing on better color consistency and higher definition resolution, the Company further developed application scenarios in the field of professional display and commercial display, and provided cost-effective display products and display solutions.

For scenarios such as command center, monitoring center, and conference display, Hikvision launched the third

¹ Data from *IDC China Quarterly External Disk Storage Market Tracker (Q2 2022)*.

generation of video integrated platform products and splicing controller to improve the efficiency of command, scheduling and business display. For the command center and monitoring center scenarios, the third generation of video integrated platform adopts brand-new high-speed bus system architecture, which has the real-time video data computing processing capabilities for high frame rate, high bit depth, wide color gamut, and high dynamic, applying Hikvision's leading video technology to achieve complete image display effect. For the conference display scenario, the high-definition audio and video technology, intelligent interaction technology, IoT perception technology and 3D display technology applied in the third generation of splicing controller provide users with an immersive interactive experience.

3.2 Software Product Family: Software Platforms + Intelligent Algorithms + Data Models + Business Services

Hikvision's software product family is composed of software platforms, intelligent algorithms, data modeling and business services.

3.2.1 Software Platforms: Basic Platforms + General Platforms + Industry-specific Platforms

Basic software platforms: The ecosystem of "two pools, three libraries, seven platforms and one environment" was continuously enriched and improved. "Two pools" refer to computing storage resource pool and data resource pool, where the computing storage resource pool contains cloud computing platform and cloud storage platform, and the data resource pool contains the products related to basic big data platform. "Three libraries" refer to component library, algorithm library, and model library, respectively supporting the management and reuse of components, algorithms and models. "Seven platforms" refer to the resource management and scheduling platform, intelligent perception networking platform, AI open platform, fusion of perceptions platform, iDatafusion platform, intelligent application open platform, and integrated operation and maintenance service platform, providing intelligent applications with storage and computing resource scheduling, equipment access and networking, intelligent algorithm training, intelligent service publishing, data aggregation management, intelligent application development, and integrated operation and maintenance service capabilities. "One environment" refers to the four-dimensional space operation environment, that is, the virtual space-time operation environment corresponding to the physical world. It supports the storage, correlation and analysis of information collected by perception technology and other data in the same environment, and supports the configuration of visual applications and the association with data in the case of low-coding.

General software platforms: Provides general software functions across multiple industries, including general security and protection, visual command, alarm management, inspection supervision, conference interaction, and content release. The general software platform of visual command, as an example, includes AR virtualization platform, VR panoramic application platform, integrated communication application platform, intelligent large-screen management platform and portable law enforcement integrated management platform.

Industry-specific software platforms: Hikvision, serving over 70 sub-industries, has gradually built 110 industry-specific software platforms. Taking the traffic control industry as an example, we provide platforms such as the comprehensive traffic management and control platform, the urban traffic situation analysis and judgment platform, the traffic accident investigation and judgment platform, the law enforcement management platform, the smart traffic signal control platform, the highway traffic safety monitoring and management platform, the smart check station platform, and the intelligent inspection platform for driving control.

3.2.2 Intelligent Algorithms: General Algorithms + Industry-specific Algorithms

Hikvision has accumulated a large number of video artificial intelligence analysis algorithms in the process of serving various industries which can be divided into general algorithms and industry-specific algorithms.

General Algorithms: Algorithms that can be used for the development of intelligent applications in multiple industries. For example, intelligent scenario inspection algorithm, image and text recognition algorithm, video and image quality recognition algorithm, algorithms to detect and classify transportation equipment, motor vehicles and non-motor vehicles, and algorithms to detect traffic flow of people and vehicles, etc.

Industry-specific Algorithms: Algorithms that developed for industry-specific application demands. For example, illegal occupation detection, illegal construction detection, and human/vehicle/material detection in the construction process for state-owned land resources; urban appearance detection and street order detection for municipal management; safety helmet wearing detection, hot operation detection, labor suit detection, overrun detection for safety production and emergency management; vessel detection, floating debris detection, fishing detection for water environment management; illegal passenger boarding detection and driving behavior detection of drivers for key vehicle supervision; chef's hat, uniform and mask inspection for "Cleaner Kitchens"; fire escape occupancy detection for community fire safety; abnormal garbage sorting detection for community garbage classification management.

3.2.3 Data Model: Industrial Business Data Model

Hikvision provides big data application services for various industries based on the big data collection, management, analysis and service capabilities provided by the iDatafusion platform. In this process, we have accumulated a batch of industrial business data models, which can be managed by the model library, and can be replicated and optimized in other similar application scenarios.

Taking transportation industry as an example, we provide an highway traffic situation analysis model, illegal parking remediation model, urban road traffic operation evaluation and diagnosis model, urban road traffic tracing analysis model, urban road traffic short-term prediction model, high-precision real-time online traffic flow simulation model, changeable lane feature research and judgment and control model, tidal lane feature research and judgment and control model, public transportation priority signal control model, time-space analysis and judgment model for fake-licensed vehicles, racketeering car analysis model, traffic accident address analysis model based on standard semantic analysis, public transportation OD passenger flow analysis model, highway truck detour analysis model, driving behavior habit label and comprehensive scoring model, driving behavior safety risk management and control model, and risky section mining model based on active safety data.

3.2.4 Business Services: System Operation and Maintenance + Data Engineering + Business Operations

Hikvision, concerned with users' application demands, explores the transformation from being a product and system supplier to being a service provider for certain businesses.

System Operation and Maintenance Services: Hikvision provides system operation and maintenance services to certain customers. For systems and equipment that have exceeded the warranty period, the team will offer professional system operation and maintenance services.

Data Engineering Services: Hikvision delivers data engineering services including IoT resources management, and integration of data collection, management and services.

Business Operations Services: Hikvision offers over 10 business operation services based on the internet operation platform and its private deployment methods. Among them, urban parking operation services have been adopted in more than 300 cities, and its coverage scope is expanding continuously. The number of users of business operation platforms for fire protection operation, intelligent community operation, garbage classification intelligent management, safety risk monitoring and pre-warning, intelligent elevator management are also increasing.

4. Industry Applications

Hikvision's three domestic business groups aim to serve the public service sector, enterprises and institutions, and small and medium-sized businesses respectively, providing relevant solutions according to customers' differentiated needs and enabling digital transformation for customers. The Company's international business is country-specific, providing overseas customers with local support for the entire process from R&D, manufacturing, logistics and services, and continuously improving its global marketing service network.

4.1 Public Business Group (PBG): Enhance Product and System Capabilities to Boost Digital Government Transformation

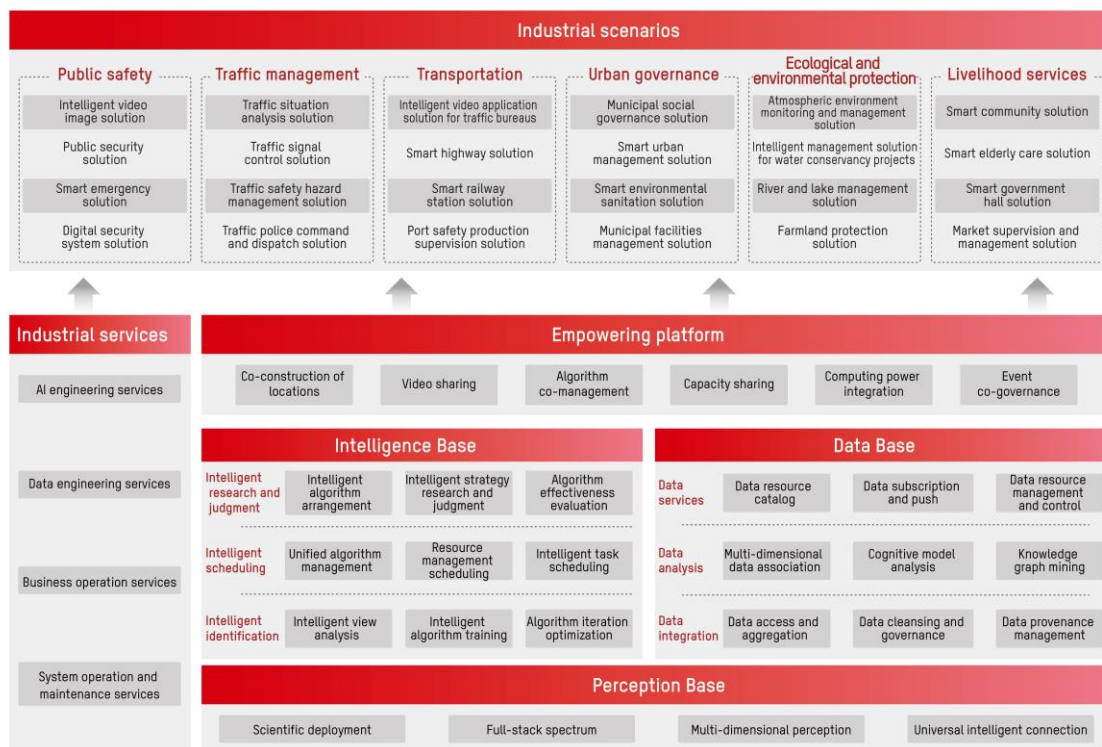
4.1.1 Overview

The construction of digital governments has been accelerated during the 14th Five-Year Plan period in China. As IoT perception, AI, big data and cloud computing and other technologies are increasingly used in this process, the importance of data and AI governance has attracted growing attention, and enhancing data and AI governance capability has become an important part of the construction of digital governments. Digital government transformation shows a trend towards intensive and scientific construction featuring "construction of perception technologies in a systematic way, unified management by one network, unified operation and maintenance, empowerment with data and AI, and promoting construction through application."

Combining AIoT technology with years of profound understanding of the needs of users in the public service field, Hikvision continues its efforts in five industrial businesses, security, traffic, ecosystem, governance and service. Moreover, the Company integrates product and technology capabilities to support the data and AI governance of governments at municipal, county, town, village and community levels. With the philosophy of "AI universal empowerment and deepening of data value", Hikvision has constantly expanded its product portfolio in terms of "hardware, platforms, algorithms, models and services" and deeply integrated product and system capabilities with a focus on the value fulfillment of solutions. Ultimately, the Company serves to empower digital government transformation through the comprehensive expansion of intelligent businesses in public security, transportation, urban governance, livelihood services, ecological and environmental protection, etc.

4.1.2 Core Technologies: Strengthen Basic Capabilities of AIoT, Expand Industry Applications, and Consolidate Industrial Services

In response to the urgent need for digital government transformation, Hikvision continues to strengthen urban-level basic capabilities of AIoT such as Perception Base, Intelligence Base, Data Base and Empowering Platform. The Company intensifies its efforts in various sectors and expands applications across industry segments, developing and consolidating its industrial service capabilities.



1) Basic capabilities of AIoT

Perception Base: Hikvision creates a scientific deployment system for the evaluation and planning of urban perception capabilities based on the perception needs of business scenarios in industry segments. The Company continues its efforts in full-stack spectrum and multi-dimensional perception, and expands its product portfolio to support universal intelligent connection between various existing and new perception resources in different industries or cities and provide rich and vivid urban perception data for industry applications.

Intelligent Base: Utilizing core AI capabilities such as intelligent identification, intelligent scheduling and intelligent research and judgment, Hikvision enriches and optimizes the intelligent algorithms adapted to various

industrial scenarios, and provides unified management and scheduling of intelligent resources, scenario-based arrangement of intelligent tasks, strategy research and judgment to achieve intensive, efficient and accurate extraction of valuable information about videos and images.

Data Base: Hikvision supports the entire process from multi-dimensional data aggregation, data processing, data governance, data mining and data service for different industries or cities. Furthermore, the Company improves data quality through data cleaning, conversion and governance, explores data value using cognitive model, knowledge graph and other technologies, and enables data publishing and sharing by means of data resource directory, interface directory and push subscription.

Empowering Platform: Owing to the basic capabilities provided by Perception Base, Intelligence Base and Data Base, Hikvision builds an empowering platform highlighting common construction, sharing and use. The Company enables co-construction of locations, video sharing, algorithm co-management, capacity sharing, computing power integration, and event co-governance across industries and departments through integration and utilization of perception, intelligence and data resources of different industries or cities, empowering their quick construction of intelligent scenario-based applications. Over the past year, the Fusion of Perceptions Empowering Platform has been successfully used in more than 130 projects across 79 cities of 26 provinces in China, covering a number of industries including smart city, smart transportation, smart water conservancy, emergency management, urban management and ecological environment.

2) Industrial applications

Hikvision continues its efforts in different industry segments. With scenario-based AIoT capabilities, the Company continuously expands scenario-oriented intelligent applications in various industries and promotes the establishment of an entire business chain. The Company has sorted out more than 2,000 business scenarios, developed more than 250 industrial solutions and improved more than 500 intelligent industrial applications with a focus on public security, traffic management, transportation, urban governance, ecological and environmental protection, livelihood services and other sectors. All these efforts are aimed at optimizing government's operational mechanisms and construction modes, and providing strong support for modernized urban governance.

3) Industrial services

Combining a profound understanding of each industry with years of experience, Hikvision has continuously consolidated its service capabilities in AI engineering, data engineering, business operation and system operation

and maintenance. The Company has also established a nationwide professional service team to enhance the loyalty of users.

AI engineering services: Hikvision provides users with scenario-based AI engineering services, including personalized algorithm training, tuning of intelligent algorithms, tuning of correlation clustering, intelligent scenario arrangement, event analysis, and event identification. The Company has provided AI engineering services for more than 50 projects.

Data engineering services: Hikvision provides users with data engineering services involving multi-dimensional perception data and business data, including IoT resource calibration, data probing, data governance, data organization, and BI visualization analysis. The Company has provided data engineering services for 220 projects.

Business operation services: Hikvision has increasingly expanded the scope of business operation services which provided based on Internet operation platforms, and it has covered a number of fields including comprehensive urban operations, urban parking operations, firefighting operations, community security operations, security inspection operations, and intelligent management of garbage classification.

4.1.3 Value Fulfillment

While deepening its understanding of business in public security, transportation, urban governance, livelihood services, ecological and environmental protection and other fields, Hikvision strives to build the capabilities of the "Perception Base, Intelligence Base and Data Base" for cities with a focus on perception, intelligence and data. In addition, the Company has continuously expanded smart industrial services through the Fusion of Perceptions Empowering Platform. It is committed to making cities smarter, society safer, transportation more convenient, governance more refined, services more targeted, and the ecological environment more livable.

1) Smarter cities

In the field of smart cities, Hikvision focuses on governance with perception data and empowerment with data and AI. The Company has optimized the urban perception networking system, promoted an organic integration of multi-source data, and created an ecosystem of AIoT perception application with the goal of empowering multiple businesses with data and AI. Utilizing IoT, AI, big data and other technologies, the Company has established a governance network that is responsive, comprehensive, intelligent, efficient and collaborative, assisting in developing an efficient, accurate, and smart urban digital governance system that makes the city smarter.

Hikvision continues to optimize the Fusion of Perceptions Empowering Platform. Guided by the core philosophy of "co-construction of different equipment, video sharing, algorithm co-management, capacity sharing, computing power integration, and event co-governance," the Company cultivates unified video convergence, catalog governance, algorithm management, arrangement and scheduling, and open sharing capabilities for cities to meet the needs of visualized and intelligent applications across industries and departments.

In the area of primary-level governance, Hikvision provides a smart management platform which focuses on the daily management needs of primary-level governance and realizes intelligent identification of violations through products such as urban management dome cameras, intelligent access control, and intelligent fire protection. Also, it provides primary-level workbenches, early warning, and comprehensive scheduling applications, gathers, assigns and addresses events, and supports the development of primary-level governance capabilities. This platform enables home safety warning for the elderly, school gate supervision, and fire safety control, helping to improve primary-level service capabilities. Furthermore, the platform supports population management, rental housing management, smart supervision of dump trucks, smart store management, and supervision of people throwing objects from heights, helping to increase public management efficiency.

In terms of rural revitalization, Hikvision provides a management platform for digital villages. With the support of rural revitalization policy, the platform enables digital planting, rural live streaming and other applications for multiple scenarios including rural industries, ecological protection, rural governance, and rural services, promoting the high-quality development of characteristic industries such as rural agriculture and tourism. Moreover, the platform achieves management of straw burning prohibition, intelligent farmland protection, and water environment monitoring, facilitating disaster prevention and ecological environment protection. The platform is also used for rural appearance inspection, fire safety supervision, and comprehensive command and scheduling, intelligently identifying and addressing uncivilized acts such as littering, and helping to improve the comprehensive governance capacity of rural areas. In addition, the platform provides intelligent elderly care, digital radio, and other applications that monitor the safety of elderly people living alone and enable convenient access to rural information, driving the construction of rural service systems.

2) Safer societies

In public safety domain, Hikvision combines the deep understanding of businesses with AIoT technology. Drawing on its accumulation of visible light technologies, the Company has taken a leap from DarkFighter to DarkFighterX and from black & white to ColorVu, delivering a high-definition intelligent view in all weathers and

at every moment. Meanwhile, the Company has continuously improved the product mix in X-ray, thermal imaging, sound wave, radar and other sectors, achieving comprehensive perception of public safety elements.

Based on the capabilities of its intelligent video image application system developed over the years, Hikvision not only provides security guarantee for cities, but also extends its business to the public security control and service of the countryside, railway lines, river basins and other scenarios.

Hikvision has enhanced all-round situational perception capabilities for public security by utilizing "perception integration, computing integration, intelligence integration, data aggregation, application integration, and the combination of operation and maintenance." Empowered by technology, the Company strives to escort a peaceful China by reducing burden and increasing efficiency for users at all levels.

In terms of traffic safety, Hikvision provides intelligent detection capability for road traffic violations such as red-light running, driving on wrong road side, overrun, overspeed, improper hanging of the number plate, deliberate shielding and defacement of the number plate, inconsistent driving model, disqualified driving, non-motor vehicle violation, pedestrian violation, dangerous driving, truck compartments carrying passengers, vehicle overload, truck turning right without stopping. Also, it provides data applications for real-time severe weather warning, traffic conflict warning, traffic accident portrait analysis, structural hazard analysis and dynamic conflict analysis of the road network, road network safety optimization, research and judgment of suspicious vehicles and overloaded vehicles bypassing, thus helping ensure a safe transportation environment. In 2022, the severe weather warning system was improved to enhance the safety of the highway network. The structural hazard analysis and dynamic conflict analysis of the road network were strengthened by providing professional suggestions for organizational optimization based on the identification of road network hazards using static road network and dynamic radar data as well as knowledge graphs in traffic engineering. Furthermore, the traffic safety intervention system was enhanced by providing multi-tier deceleration capability for dynamic traffic flow based on perception of road network safety events in addition to the traditional violation snapshot and intelligence board warning.

Hikvision provides vehicle sensing technologies to ensure vehicle safety, delivering collision warning, panoramic view, blind spot detection and other applications for buses, passenger vehicles, freight vehicles and online ride-hailing vehicles. The Company has served hundreds of transportation enterprises, contributing to vehicle safety.

Hikvision delivers multi-dimensional perception capabilities to ensure road safety, providing perception, data analysis and warning for scenarios such as road event detection, sharp road turn warning, and slope falling rock warning to help reduce road safety risks.

Hikvision provides intelligent application capabilities based on multi-dimensional perception, delivering perception, intelligent analysis, and warning capabilities for security checks at airports, urban rail transit, and railways. The Company has improved the efficiency of security check for many airports, urban rail transit, and railway stations.

In emergency management, Hikvision provides an integrated solution for emergency management. To deal with the production safety risks of hazardous chemicals companies, fireworks and firecrackers businesses, non-coal mining enterprises, tailings ponds and other types of enterprises, the Company established an efficient system for production safety monitoring and warning that enables data access and analysis, intelligent warning, hierarchical push notifications, information backup and other applications to effectively address the supervision pain points of users. For forest fires, floods, geological disasters and other natural disasters, Hikvision provides solutions such as comprehensive monitoring of all elements, disaster warning, comprehensive risk assessment, analysis, consultation, research and judgment of disaster progression, laying a solid foundation for disaster prevention and mitigation and establishing a sound system for natural disaster monitoring and warning. For different kinds of sudden accidents and disasters, the Company provides emergency command and dispatch capability, including key applications such as on-duty management, emergency plans management, coordination and consultation, command and dispatch, summary and evaluation, helping users to enhance emergency response and rescue capabilities, reduce disaster losses, and build a complete emergency command and rescue system.

3) More convenient transportation

As for traffic management, Hikvision provides intelligent signal control capabilities such as single-location adaptive control based on real-time traffic parameter perception, dynamic/static trunk green wave control and regional coordinated control, supporting tidal lanes, variable lanes, roundabouts, bus priority, turning left from the opposite lane, bottleneck control, pedestrian crossing and other intelligent control modes. The Company delivers professional smart travel service capabilities such as city-level unified signal control, traffic situation research and judgment, intersection problem diagnosis, event monitoring, digital intersections, traffic flow tracing, traffic simulation, intelligent guidance, vehicle traffic management, real-scene command, information analysis, information research and judgment, intelligent service research and judgment, key vehicle protection, and green parking. Also, it provides the "Data and AI-Based Traffic Management Base" incorporating road network computing, data computing and model computing. In 2022, signal machines continued to rank high in the industry with annual sales of more than 10,000 units. A new "digital intersection" solution was launched to provide data

research and judgment and dynamic warning capabilities apart from basic dynamic three-dimensional presentation capabilities. The intersection problem diagnosis capabilities were improved by providing professional suggestions for organizational optimization based on the identification of signal timing and traffic organization issues using static road network and dynamic vehicle traffic data as well as knowledge graphs in traffic engineering

In highway transportation, Hikvision fully combines the IoT perception technology with industry scenarios to deliver safe and efficient monitoring capabilities for highway maintenance, bridges, slopes, tunnels and other scenarios. It also provides abnormality detection and data analysis capabilities for highway events and weather, as well as visualized industry supervision capabilities for engineering construction and industry management. The Company has served thousands of users in this area.

With regard to port management, utilizing multi-dimensional perception and AI algorithms, Hikvision has developed scenario-based solutions such as standard management of work wear, dangerous operation management, blind spot warning for port machines and failure warning for production equipment, which cover "people, vehicles, goods, machines and environment" and other elements. The Company has served nearly 100 port enterprises, ensuring port operation safety and improving management efficiency.

In railway transportation and rail transit, Hikvision provides comprehensive monitoring and detection in scenarios such as railway stations and hubs, freight yards, power substations, train carriages and railway lines through multi-dimensional perception technology, serving 18 railway administration groups and hundreds of high-speed railway station hubs across China. Hikvision's technologies have been applied to public safety precautions, smart operation, intelligent operation and maintenance, digital service and other scenarios in over 100 urban rail transit lines in the country, providing support and guarantee for the safe, efficient and smooth operation of urban rail transit and creating a safer and more comfortable ride experience for citizens.

As for airport travel, Hikvision offers passengers convenient and intelligent parking guidance, automatic parking, smart navigation display, paperless customs clearance, easy transfer guidance, ramp space management and other applications in nearly 100 airports, helping to build a safe, green and intelligent airport.

4) More refined governance

In urban management, Hikvision offers a smart urban management platform that provides warning and algorithmic scheduling capabilities for nearly 70 types of violations ranging from fixed locations to mobile inspection and from a single scenario to a complex area through urban management dome cameras, urban management panoramic PTZ cameras and intelligent analysis servers. The platform provides mobile intelligent data

collection, intelligent violation inspection, urban waterlogging monitoring, command and dispatch, operation and monitoring centers and other applications, helping to create a tidy and orderly urban environment.

In terms of municipal administration, Hikvision provides a smart municipal supervision platform with a focus on municipal facilities such as manhole covers, garbage cans and street lights, as well as municipal events such as waterlogging and road damage. The platform integrates problem collection, dispatching and handling, and feedback and evaluation through the use of IoT devices including intelligent monitoring terminals for manhole covers, water level cameras, and radar level meters, facilitating targeted municipal management services.

In terms of city appearance and environmental sanitation, Hikvision provides a smart sanitation platform and a garbage classification and supervision platform for manual or vehicle-based sanitation operations, garbage classification and other scenarios. The platforms enable supervision of manual or vehicle-based operations, garbage classification management, yard operation supervision and other applications through the use of intelligent transmission control units, garbage classification cameras, Intelligent Analysis DeepinMind and other equipment, improving refined sanitation management capabilities.

As for law enforcement, Hikvision provides a comprehensive management platform for mobile law enforcement with a focus on law enforcement event collection, law enforcement process recording, law enforcement case area and other scenarios. The platform allows off-site collection of law enforcement events, management of objects of law enforcement, command and dispatch, electronic evidence management, intelligent review and closure of cases and other applications through the use of law enforcement recorders, law enforcement case terminals, collection stations and other devices, helping to improve the effectiveness of comprehensive law enforcement.

5) More targeted services

In the field of government services, Hikvision provides a comprehensive management platform for smart government halls with a focus on various government service halls, convenience service centers, and other scenarios. The platform provides hall operation management, government information publishing, and electronic video monitoring through the use of AR panoramic cameras, passenger flow monitoring cameras, and window service management servers, helping to make government services more efficient and standardized.

In terms of market supervision, Hikvision provides management platforms such as elevator networking, forklift supervision, and food safety networking. These platforms enable special equipment supervision, off-site supervision of kitchens and other applications through the use of elevator monitoring cameras, intelligent forklift supervision and analysis machines, and dedicated cameras for kitchens and other products, helping to improve

digital supervision capabilities.

As for smart communities, Hikvision provides a comprehensive management platform that allows supervision of people throwing objects from heights, electric vehicle safety management, street store management, elderly care services, smart property management and other applications through the use of dedicated cameras for detecting people throwing objects from heights, electric vehicle detection cameras, urban management dome cameras, intelligent access control, smart smoke sensors and other products, helping community services become more effective.

With regard to elderly care services by civil administration departments, Hikvision creates systematic solutions for homes, communities and institutions, featuring applications such as elderly security, smart nursing, health monitoring and caring services through intelligent elderly care all-in-one machine, alarm box, fall detection radar and other equipment, providing technology support for the safety of the elderly, intelligent and convenient means for the smooth operation of geriatric nursing institutions, and service data support for civil administration departments.

6) A more livable ecological environment

With the help of video, radar, thermal imaging, and hyperspectral and other multi-dimensional perception and intelligent analysis technologies, Hikvision strives to build an ecological monitoring, management and service system for natural resources, ecological environment, meteorology and other businesses, creating a more livable ecological environment.

To help protect natural resources, Hikvision sets up an intelligent management platform for nature reserves. Bi-spectrum thermal imaging, wildlife protection cameras, insect detection lamps and road cameras are combined with animal identification, fireworks identification and other algorithms for applications such as wildlife monitoring, forest and grass fire prevention, pest monitoring, human activity management, ecological live streaming, promoting natural ecological protection as well as science popularization and education. The forest fire monitoring and warning platform is built to monitor forest fires and human activities through high-point bi-spectrum thermal imaging and low-point intelligent cameras, realizing fire monitoring and warning, fire research and judgment, fire disposal, sand modelling, rescue force recommendation, disaster damage assessment, and other functions, and enhancing comprehensive forest fire prevention and control capabilities. A smart monitoring platform for natural resources is created to identify characteristic elements of suspected illegal activities through high-point intelligent cameras and bispectral thermal imaging, etc., implementing applications such as farmland protection and supervision of illegal

mining, thereby effectively enhancing natural resource monitoring and supervision capabilities. A cloud platform for geological disaster monitoring is built to monitor rainfall, surface displacement, soil moisture content and other factors through video GNSS², rainfall gauges, soil moisture meters and other devices, achieving three-dimensional and visual monitoring of geological disasters such as landslides, collapses and debris flows, and facilitating early detection and elimination of geological hazards.

For the purpose of smart water conservancy, Hikvision provides an intelligent management platform for river and lake management and protection. Through AI analysis for videos, multi-spectrum visual perception, satellite remote sensing interpretation and other technologies, the platform can intelligently detect the disorder and chaos events of rivers and lakes, such as illegal sand excavation, shoreline destruction and garbage stacking, helping to improve the long-term protection and dynamic control of rivers and lakes, revive the ecology of rivers and banks, and create a beautiful environment. A smart safety management platform for water conservancy is set up to achieve applications such as safety monitoring, equipment monitoring and intelligent inspection of dams, embankments, water gates, and pumping stations through video GNSS, seepage and seepage pressure meters, hydrological monitoring camera, thermal imaging, and inspection robots, etc., and integrate information on work conditions and rain conditions with real-time panoramic AR images, thus obtaining real-time updates on safe project operation and protecting water conservancy projects during floods. A command and scheduling platform for water disaster prevention is provided to integrate audio and video resources such as voice and video conference through the integrated communication gateway, offer GIS scheduling, conference scheduling, video scheduling and other functions, and realize "full access for one system, full connectivity of one network, full display on one screen," ensuring vertical linkage and horizontal coordination of flood control command and scheduling. Comprehensive monitoring and management platform for small reservoirs is formulated to protect the safety of small reservoirs during floods. An irrigation area management platform is provided to offer functional applications such as water measurement management and irrigation area safety inspection, improve water conservation capability of irrigation areas, and facilitate the renovation and modernization of irrigation areas. A water plant safety management platform is created to achieve safety management of water plants and secondary water supply pump houses through thermal imaging, and industrial auscultation, etc., ensuring safe production of water plants and pump houses.

As for ecological protection, Hikvision provides a smart monitoring platform for the atmospheric environment, using LiDAR, hyperspectral Fourier transform, thermal imaging, video AI and other technologies to

² GNSS: Global Navigation Satellite System.

achieve intelligent applications such as prohibition of straw burning, VOCs³ monitoring, particulate matter monitoring, exhaust gas monitoring and dust control. Through innovative technologies, the Company strives to protect the environment, support more real, accurate and comprehensive atmospheric environment monitoring, and enable efficient supervision, thus helping to defend the blue sky. A smart monitoring platform for the water environment is created to monitor water quality factors such as chlorophyll, total nitrogen and total phosphorus in rivers and lakes through the self-developed hyperspectral water quality monitor, providing water quality monitoring, trend analysis, water quality evaluation, pollution traceability and other intelligent applications, helping users gain an understanding of the status and changing trend of water environment quality and providing support for rapid resolution of water pollution events. A water source monitoring platform is established to provide intelligent applications such as water environment monitoring, entrance and exit control, and human activity monitoring through hyperspectral water quality monitors, AR panoramic camera, bi-spectrum PTZ cameras, road cameras, and intelligent sound columns and other equipment, supporting intelligent water source monitoring and ensuring drinking water safety. A river or marine outfall supervision solution is developed to provide video surveillance, water quality monitoring, online inspection and other intelligent applications, facilitating the supervision and management of all aspects from receiving water and outfalls. A pollution source management and control solution is offered to provide station visualization, AI-based intelligent supervision, converged communication and other intelligent applications, and intelligently identify illegal pollution discharges or falsification, promoting off-site law enforcement concerning pollution sources. A smart whole-process supervision platform for solid waste is created to achieve the closed-loop management of solid waste throughout the process from generation, collection, storage, transfer and disposal through such technologies as IoT, video AI and big data. Dynamic data collection and intelligent analysis and warning are used to deliver intelligent applications such as "refined supervision, whole-process supervision, risk supervision and law enforcement supervision" of solid waste, effectively curbing illegal dumping and preventing environmental risks.

In meteorological operations, Hikvision works with the meteorological department to develop a national meteorological live image capture, transmission and management system, realizing effective integration and on-demand sharing of live videos from national and provincial observation stations and field research groups. A safety management system for weather modification (artificially modified weather) operations is established to enable intelligent control of key sites, and coordinated command between superior and subordinates, thus improving the

³ VOCs: Volatile Organic Compounds.

safety supervision capability of weather modification operations. An intelligent meteorological observation system is built for the intelligent observation of cloud cover, cloud shape, visibility, snow cover and other meteorological elements by means of sky imagers and intelligent meteorological observation cameras and other dedicated equipment, taking meteorological observation to the next level. An management platform for unattended observation stations is established to enable prevention and alarming and video tracking using radars, videos and other equipment, achieving 24-hour intelligent guarding of observation sites.

4.1.4 Outlook

As the construction of digital economy, society and governments gains speed, IoT perception, AI, big data and other technologies continue to find applications in cities and industries, gradually fulfilling their value. The application of ubiquitous security has expanded from public security to security control needs in various fields including public areas, municipal administration, transportation, resources, and production in a broader sense. Its application in a single industry has been gradually brought to a new level with growing demand for integration and empowerment based on all scenarios, all weathers and all-round perception. The picture of a smart city is increasingly clearer, transforming from "all operations via one network" to "unified management via one network", from "Internet +" to "intelligent +", and from "scenario intelligence to "industry intelligence."

With a user-centered approach, Hikvision seeks to work with partners in the AIoT sector such as research institutes, product providers, algorithm vendors, independent software developers, system integrators and product distributors to create a closed-loop ecosystem that covers the entire value chain from technology, products to solutions and services by understanding the core needs of users. Moreover, the Company will continue to promote the upgrading of products, systems and services, while providing high-quality technologies, products and services to industrial users in the public service field.

4.2 Enterprise Business Group (EBG): Promote Innovative Development of Businesses through AIoT

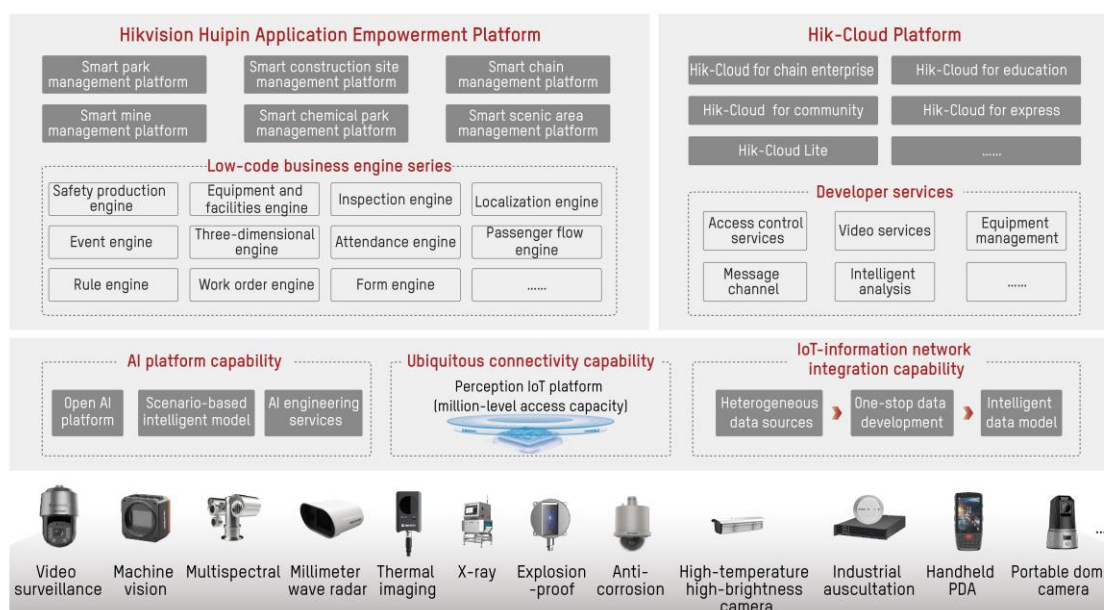
4.2.1 Overview

Based on AIoT technology, Hikvision offers better industry insight and actively explores digital application scenarios. In 2022, Hikvision built solution capabilities around two core business areas, "safeguarding enterprise-wide security " and "enhancing asset operation efficiency," while creating digital transformation solutions for key application scenarios such as enterprise safety production, people and vehicle safety management, integration of

park security and fire protection, enterprise emergency command, operation efficiency improvement, equipment and facility management, good and material management, and smart space management.

4.2.2 Core Technologies: Consolidate AIoT Base and Enhance Value Delivery

Hikvision builds an AIoT-based product and solution system powered by multi-dimensional perception, AI, low-code, cloud services and other technologies. Multi-dimensional intelligent perception products are used to push the boundaries of perception and generate a variety of perception data, while AI engineering services aim to reduce AI empowerment costs and enable fast delivery for partners. Moreover, Hikvision Huipin Application Empowerment Platform is utilized to support the rapid launch of digital applications enabled by low-code technology, whereas Hik-Cloud Platform is established to provide standardized industry applications and serve more industry users.



1) Continuously push the boundaries of perception with a multi-dimensional perception product mix

Hikvision continues to improve the multi-dimensional perception products mix using AIoT technology. The Company has launched perception products to enhance universal perception capability, while strengthening scenario adaptation capability and creating diversified product forms to meet the needs of multivariate scenarios.

Hikvision integrates a variety of perception technologies to further improve its product mix. Existing products include a millimeter wave imaging radar for volume measurement of stacked materials, which realizes accurate measurement of raw material reserves; an ultraviolet imaging PTZ camera that can accurately detect electric arcs,

monitoring abnormal discharge of electric power equipment; a gas cloud imaging PTZ camera based on spectral imaging technology, which detects gas leakage in production environments; auscultation optical fiber that supports equipment sound monitoring for timely detection of abnormal operation of belt rollers; optical fiber for temperature measurement in confined spaces, which monitors real-time temperature of new energy batteries during the aging process; an acoustic imager capable of locating sound sources and intensity, used for long-distance detection of pipeline gas leaks or partial discharges in high-voltage systems; an intelligent X-ray counter, used for rapid counting of the number of production components, etc.

Hikvision continues to expand application scenarios by exploring new industry applications. For example, the low-temperature-resistant camera is designed for ultra-low environments and is used in the whole-process supervision of cold chain logistics, while the self-cleaning camera is designed for high dust environments and is used in the regular cleaning of lenses to guarantee imaging quality. The anti-corrosion camera made of polymer materials is designed for perishable environments and is used to guarantee the long-term reliable operation of equipment, whereas the medical dedicated PDA is designed for medical high frequency sterilization and other environments and is utilized in bedside data collection, medical order execution and other business management activities in hospitals. Furthermore, the explosion-proof level meter is designed for the internal environment of hazardous chemical tanks and can accurately measure the height of stored solids/liquids, while the explosion-proof PTZ camera designed for Zone 1⁴ explosion-proof scenarios finds application in safety supervision of restricted space operations in chemical enterprises. The intrinsically safe bi-spectrum thermal imaging camera designed for explosion-proof environments in coal mines is used to monitor underground equipment for abnormal temperatures in these locations.

2) Expand the applications of AI with an AI engineering service system

Hikvision is committed to transforming AI technology into effective productivity. The Company actively builds an AI engineering service system to reduce the technical requirements for the application of AI in industry scenarios and improve application effects.

In 2022, Hikvision's AI engineering services promoted successful implementation of increasing scenario-based AI applications. The Company has created a series of AI engineering models covering general business scenarios such as standardized operation, auxiliary automation, warehouse management, material inventory and

⁴ Zone 1 explosion-proof: A classification of the explosive environment. Zone 1 refers to an area where flammable or explosive gases or vapors may be present in the normal environment.

store retail to effectively reduce the deployment cost of AI applications in these business scenarios and effectively achieve hazard detection, efficiency improvement and other business management objectives for users.

As the application scenarios of AI continued to emerge, the number of enterprise users of the AI open platform rapidly increased from more than 8,000 to more than 15,000 in 2022. To better serve the scenario-based intelligent needs of enterprises, Hikvision continues to improve its AI engineering service system and provide diverse empowerment solutions for partners of different scales and with different advantages, helping partners to develop business applications and enhance business implementation capabilities.

3) Build a business engine system through the Huipin Application Empowerment Platform

The Hikvision Huipin Application Empowerment Platform is built based on a unified software technology architecture, which is suitable for use in many industries. The Company has also developed a software business engine system powered by low-code technology, which quickly meets corporate business needs and help users quickly deploy digital applications through visualized rule configuration, drag-and-drop process design, and customized data reports.

The Hikvision Huipin Application Empowerment Platform provides a line of systematic business engines. Low-code development of basic applications from information network and IoT are enabled by basic business engines, such as event rule engines, to conveniently achieve event reception, rule arrangement, distribution, query, statistics and other functions. Business applications are effectively abstracted through general business engines, taking the inspection engine as an example, it has served more than 5,000 enterprises, reducing the software development workload by about 90%. Hikvision has launched various general business engines such as localization engine and passenger flow engine based on breakthroughs in the inspection engine to serve more scenario-based businesses. Multiple basic and general business engines are reused through the comprehensive business engine to cope with more complex business requirements of users, such as the integration of safety production engines into inspection, localization, event rules, reporting and other types of engines. These engines will achieve closed-loop security management from hazard detection to risk warning and accident handling, support the customization of applications related to safety production through low-code technology and rapidly respond to the needs of IoT application integration. With the Hikvision Huipin Application Empowerment Platform, Hikvision quickly meets the diversified needs of enterprise users through low-code technology, and reduces software development costs, facilitating faster development and iteration of applications for enterprises, and promoting the continuous development of AIoT applications.

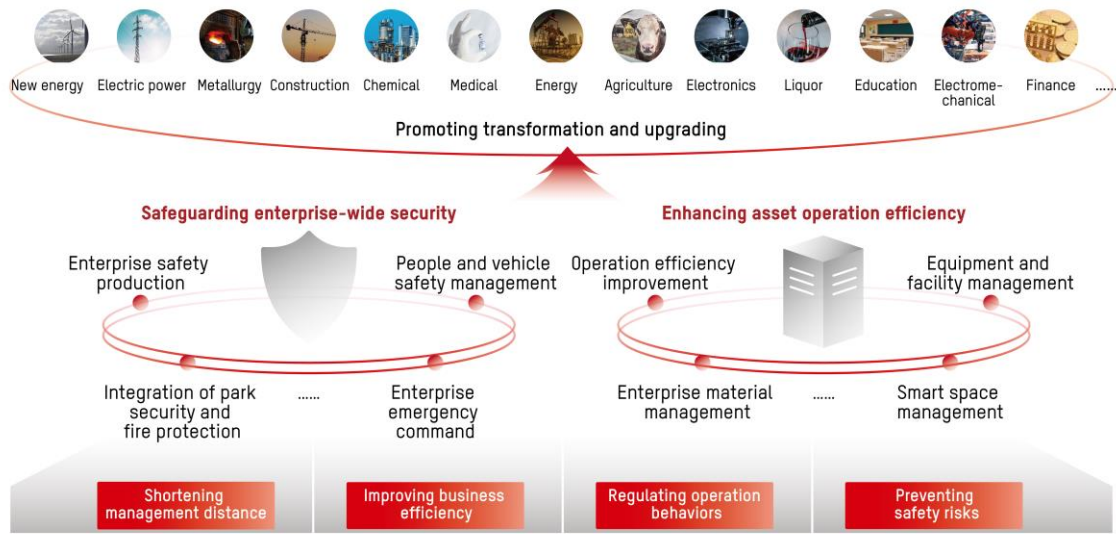
4) Explore standardized IoT applications through the Hik-Cloud enterprise-level SaaS platform

As an enterprise-level SaaS platform, Hik-Cloud platform continues to accumulate achievements in perception, cloud platform, AI and other technologies, striving to provide digital services related to AIoT for various industries. The platform offers a variety of services in the key industries such as retail chain, education & teaching, and property service, while enhancing service professionalism to develop core competitiveness for users. In 2022, the number of users and access devices on Hik-Cloud platform grew at a high rate. Hik-Cloud platform has served over 400,000 chain stores, 6.18 million homeowners in different communities, and 4.5 million students and parents, providing access to 3.7 million terminal devices.

Hik-Cloud platform provides standardized inspection services in the retail chain industry to standardize nighttime goods delivery through personnel authorization and process records. The platform is also applied in teaching scenarios in primary and secondary school campuses to provide special teaching products for lesson preparation and teaching, and offer a cloud-based deployment solution to the Education Bureau for "Three Classrooms" scenario. Moreover, Hik-Cloud platform provides an integrated cloud-edge fusion solution for residential communities, which enables cross-district remote management services, reducing management costs of users. Hik-Cloud platform will continue to explore industry digital applications and provide more digital cloud-edge fusion solutions.

4.2.3 Value Fulfillment

Hikvision continues to improve its value delivery methodology based on four value propositions of "shortening management distance, improving business efficiency, regulating operating behaviors and preventing safety risks." In 2022, Hikvision explored the application of a closed-loop end-to-end management concept in various scenarios such as enterprise parks, industrial parks, chemical parks, commercial parks, campuses, hospitals and venues with a focus on two core business areas of "safeguarding enterprise-wide security" and "enhancing asset operation efficiency." Through continuous business innovation and experience accumulation, the Company has worked with partners to set examples for excellent industry practices.



1) Safeguarding enterprise-wide security

Hikvision focuses on enterprise safety production, people and vehicle safety management, integration of park security and fire protection and enterprise emergency command, extending the scope of safety management from traditional park security to all aspects of enterprise operations. The Company has built closed-loop safety management system covering the entire process including prevention, management to control and handling, promoting the transformation of enterprise safety management models.

1.1) Enterprise safety production

Hikvision supports the establishment of a digital safety production system for businesses through a low-code safety production system, which covers all aspects of safety production including risk, hazard and accident handling, and enables business applications such as monitoring of major danger sources, special operations, intelligent inspection, closed management, and AR safety and environmental information dashboard. This system has been successfully implemented in electric power, petroleum and petrochemical, metallurgy, manufacturing, construction and other industries, serving users including Sinopec and Shengli Oilfield.

For the metallurgical industry, a dashboard showing situational perception of production safety is created to allow precise localization and one-click access to danger source-related data such as production, equipment, personnel, safety, environmental protection, videos and warnings. AIoT products are used to support business departments in quickly developing safe operation supervision applications, and implementing on-site safety supervision and tips, remote equipment operation and maintenance and other management services, thus achieving

the purpose of ex-ante warning, event handling and ex-post archiving.

In the electric power industry, security situational perception capabilities are developed through a multi-dimensional AIoT system to enable intelligent equipment inspection, online temperature measurement, acoustic monitoring, remote switch and video review, three-dimensional panoramic display, operation and maintenance data dashboard and other applications for managers. With the use of these applications in substation operation and maintenance, on-site manual routine inspection is replaced by remote intelligent inspection and the conventional knife-switch is replaced by the remote switch, improving the safety and efficiency of operation, maintenance and inspection activities.

With regard to the construction industry, a video monitoring system is used to monitor the operating limits of tower cranes, excavators and other large construction machinery, preventing risks from blind spots. A personnel identification system confirms the identity of operators to ensure the assignment of a dedicated operator to a particular job. Cab management allows the supervision of operating behavior to avoid violations. Furthermore, AI-based devices automatically identify the number of people in the lift cars to avoid accidents caused by overload.

1.2) People and vehicle safety management

Using HD video surveillance, non-video security, intelligent image analysis, people/vehicle identification, alarm management and other IoT technologies, Hikvision has built a comprehensive enterprise security system that incorporates people, vehicles and events into management, achieving intelligent management of people, smart control of vehicles and effective handling of events. This system has been successfully implemented in manufacturing, chemical, logistics, steel, education and other industries, serving users such as Jiangsu Huai'an Industrial Park.

For the chemical industry, comprehensive and dynamic supervision of dangerous goods transport vehicles entering and leaving chemical parks is enabled through a closed-loop management system that integrates reservation, localization, driving behavior monitoring and a list of vehicles of concern, thus achieving the management goal of "traceable source, traceable destination, accountable responsibility, and predictable patterns."

In the logistics industry, an intelligent yard dispatching management system of logistics vehicles is created to not only enable online management of these vehicles throughout the entire process from entry by reservation to authorized exit, but also improve the efficiency and management of personnel access and vehicle dispatching in logistics parks.

With regard to the education industry, a three-dimensional campus traffic control system is established to

provide rapid vehicle passage by reservation, speeding and parking violation detection, campus parking guide, education for violations and other management services in areas such as entrances and exits, main roads and parking lots. This system aims to provide integrated management services for vehicle passage, safeguarding traffic order in the campus and creating a smart and safe campus.

1.3) Integration of park security and fire protection

Hikvision leverages AIoT technologies such as thermal imaging and temperature sensing fibers to deeply integrate security and fire protection systems, building a full-process management system that covers multi-dimensional perception, intelligent early warning, firefighting and rescue, command and dispatch, and ex-post assessment. The system allows prompt identification of safety hazard, quick response and efficient rescue, and improving fire prevention and emergency handling capabilities of enterprises. It has been successfully implemented in new energy, finance, commercial real estate, universities, culture and museums and other industries, serving users such as Contemporary Amperex Technology.

In the new energy industry, thermal imaging or optical fiber products for temperature measurement are deployed in key facilities such as workshops, warehouses and energy storage stations to identify fire hazards, re-check with videos, issue warnings promptly and activate automatic fire extinguishing devices, thus improving fire accident handling efficiency of enterprises and reducing accident losses.

For the financial industry, environmental data such as water, electricity, smoke, combustible gas and temperature are collected to evaluate the fire hazards in buildings such as bank outlets, branches and sub-branches in real time. This will help provide early warning of fire risks and improve emergency response and handling efficiency for banks, achieving the paradigm shift from passive response to active defense.

With regard to the cultural and museum industry, the video monitoring, electrical and fire monitoring, thermal imaging fire warning, and smoke detection systems are created to monitor fire hazards in ancient buildings, as well as the cultural and museum venues. On-site videos enable rapid review of any violations, timely distribution of warning messages, rapid response and handling.

1.4) Enterprise emergency command

In response to the emergency management needs of enterprises, Hikvision establishes an enterprise-level emergency command system based on integrated communications, emergency response, data dashboard and AR reality and other technologies to achieve closed-loop management from command centers to emergency handling.

The system has found applications in the pipeline corridor, chemical, manufacturing and other industries, serving users such as Chizhou Chemical Park and Xiangyu Chemical Park.

For the pipe corridor industry, an emergency command center consisting of a data platform, an intelligent management cockpit, a knowledge library, emergency plan library and other subsystems is set up to provide real-time monitoring, event classification and warning reporting, the display of emergency resources, one-click activation of emergency plans and other applications, achieving rapid handling of emergency events in the pipe corridor.

In the chemical industry, an emergency command system supported by AR reality application, integrated communication and an accident handling plan library is developed to enable visualized park command and dispatch, emergency plan exercise, one-click dispatch of emergency resources, one-click activation of emergency plans and one-click export of emergency reports and other applications, helping users to improve safety management capability of chemical parks.

With regard to the energy industry, an intelligent gas safety production command center is created to fulfill data integration and display on the GIS Map, allowing access to valve rooms, refueling stations, city networks and other sites. The center fully monitors site operations, and enables safety management of gas storage, transmission, and other operations while achieving efficient dispatching of emergency personnel and materials by using the integrated communication system.

2) Enhancing asset operation efficiency

Hikvision focuses on operational efficiency improvement, equipment and facility management, enterprise material management, and smart space management. Through technological innovation, the Company has achieved effective management of key production and operation elements, such as personnel, equipment, materials, and space, on the basis of traditional information management, thus facilitating efficient operation of enterprises at lower costs and increased efficiency, and achieving the management goal.

2.1) Operational efficiency improvement

Hikvision helps users achieve business management goals of regulated operation, automated operation process and lower training cost from three aspects: operation assistance, man-machine cooperative operation and personnel ability improvement. This strategy has been successfully implemented in manufacturing, new energy, coal mining, agriculture, construction, logistics and other industries, serving users including EVE Battery.

For the energy industry, AI vision are utilized to enable real-time supervision of operating behavior, standardize the operation process, and ensure daily production order. Intelligent inspection services are provided for managers and inspectors to improve inspection efficiency. Online classes, remote auxiliary diagnosis and other methods of personnel training are offered to improve the ability of personnel.

In the manufacturing industry, intelligent equipment and products assist people to improve operational efficiency and reduce the risk of misuse. For example, an X-ray material counter counts the quantity of materials automatically, while a rail robot automatically executes inspection instructions. A high-frame-rate and low-latency camera assists in determining the production status, whereas a thermal imaging device monitors the temperature of the production line.

With regard to the breeding industry, a livestock and poultry breeding monitoring system is established to meet the need for regular weighing of livestock and poultry in the breeding process. Unlike the traditional weighing method, the system enables remote inspection of livestock and poultry growth, dynamically monitors changes in weight and volume of livestock and poultry, and adjusts feeding strategy in a timely manner, helping users to achieve large-scale breeding.

2.2) Equipment and facility management

Hikvision promotes the intelligent O&M transformation of equipment and facility management business. Combining AIoT sensing technology with low-code engine capabilities such as integrated work orders and reports, the Company develops equipment lifecycle management systems including intelligent inspection, repair, maintenance, scrapping, spare parts, ledgers and other services to ensure the safety of equipment assets, reduce the downtime and maintenance costs, and effectively improve equipment management efficiency for enterprises. This system has been implemented in manufacturing, brewing and other industries, serving users such as Hangzhou Qianjiang Refrigeration Group.

In the manufacturing industry, sensors are combined with AI technology to enable vibration fault diagnosis of equipment such as centrifugal casting machines, understand the working and health status of stamping equipment, and obtain real-time production data of winding equipment. A maintenance system is established based on production data to monitor the risks and hazards, provide failure warnings and reduce unplanned emergency repairs.

For the liquor industry, core equipment assets are inventoried to achieve overall equipment effectiveness (OEE) management, spare parts management and other operations. Equipment and facility maintenance data are used to assist enterprises in formulating proper spare parts management strategies and striking a balance between

spare parts cost control and guaranteed continuous production.

2.3) Enterprise material management

Hikvision has established a lifecycle management mechanism covering the entire process from material procurement to end-of-life. The mechanism reduces the workload of manual recording and message transmission, effectively decreases the management risk of data inconsistency, and informs the quantity and status of materials timely for precise regulation and control to ensure orderly production. It has been successfully implemented in cement, electric power, manufacturing and other industries, serving users including Inner Mongolia Ojing Science & Technology.

In the cement industry, an AI-based raw materials monitoring system is established to measure, in real-time, the area and volume of stored raw materials and other key data without interrupting production, evaluate the continuous production time based on the consumption of raw materials, and assist users in adjusting the feeding plan in a timely manner.

In the power industry, RFID products are used to meet the needs of identifying materials of different forms and volumes in a non-contact manner, saving the labor cost required for material inventory.

For the manufacturing industry, an automatic inbound and outbound warehousing inventory system that integrates vision, AI, localization technology and other technologies is provided to automatically count the number of products in the inbound and outbound warehousing process. The system is used for data alignment with the warehouse management and manufacturing management systems to identify asset management risks such as account discrepancies.

2.4) Smart space management

Hikvision optimizes the design of the movement lines of people, vehicles and goods through digital applications of spaces such as parks, workshops, dormitories, warehouses, storage and workstations to achieve intelligent monitoring of space and statistical analysis of space utilization, facilitating refined management of all types of spaces. These applications have been successfully implemented in medical, real estate, education and other industries, serving users such as Ningbo University.

In medical institutions, a variety of intelligent interactive displays are deployed in outpatient and inpatient areas to ease the contact between doctors and patients and relieve patients' anxiety. Vital sign radars are used to sense personnel status and behavior to timely detect any unusual events such as patients leaving the bed and falling,

ensuring a safe treatment environment and improving the treatment experience for patients.

For industrial parks, the business process from lease to audit and finance is integrated to clearly display real-time information on real estate operations, helping to attract investment. Service records are established for enterprises in the park, and proper services are provided for them based on a thorough understanding of their personalized needs. A reservation-based space resource usage mechanism is developed for functional areas such as conference rooms, cafeterias and office areas to improve the actual utilization rate of space and create an efficient and convenient management service model.

With regard to colleges and universities, an auxiliary management system for teaching resources is established to monitor laboratory resources, and verify the identity of the personnel entering the laboratory to ensure compliant use of these resources. A lifecycle management mechanism is created for dangerous chemicals to ensure that their use is under control. The indoor environment, instruments and equipment are monitored to ensure the safe and efficient operation of equipment.

In 2022, Hikvision established successful practices of digital transformation with many partners. In the future, considering the multi-park development model of enterprises, Hikvision will provide multi-park management solution for industrial parks while further exploring park management business to optimize the multi-park business development model for users, achieving business value of "unified standards, capability sharing, benchmarked management and service alignment".

4.2.4 Outlook

As an important driving force of industrial transformation, digital technology is being fully integrated into the social and economic industrial chain, exerting an increasingly great impact on the way of enterprise management, production and service, and giving birth to a variety of scenario-based digital applications in different industries. With AIoT technology, Hikvision will continue to expand industrial application scenarios, fulfill common needs of different industries and consolidate its AIoT product and solution system, helping users with industry transformation practices.

At the same time, new trends in economic development, such as continuous industrial transfer, optimization of energy structure and the rise of younger generation, are driving the rapid development of related industries. Many industries, especially manufacturing, is shifting from the eastern to western region, where the construction of more industrial parks and bases will lead to many structural opportunities. As the energy structure is gradually changing

to non-fossil energy, and the production and consumption sides are transforming rapidly. A growing number of innovative businesses are emerging along with the rapid changes in industrial structure, creating many new market opportunities. The growing diversified demands of younger generation for quality, culture and other elements gives rise to more new consumption areas, leading to more competitive and robust economic activities.

A new develop pattern brings new opportunities and new changes give rise to new needs. As an important bridge between the physical and the digital world, AIoT technology will play a crucial role in this process. Hikvision pays close attention to many new industrial trends such as large manufacturing chains, retail store networking management, corporate digital twins, and new infrastructure in education and medical industries, helping enterprises to consolidate infrastructure for digital transformation with an AIoT software and hardware system. Additionally, the Company improves operation and management capability for enterprises through AIOT solutions such as enterprise safety production and asset efficiency improvement.

Hikvision will continuously deepen business innovation, explore more digital application scenarios, and join hands with partners to pave the path to digital transformation.

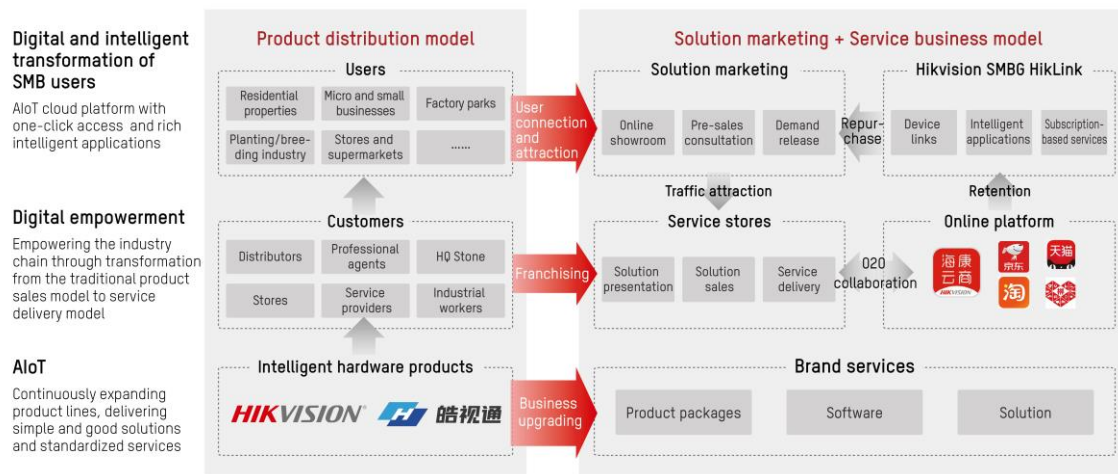
4.3 SME Business Group (SMBG): Enhance Industry-wide Service Capabilities, and Facilitate Digital Transformation of SMEs

4.3.1 Overview

The business conditions of small and medium-sized enterprises (SMEs) are highly correlated with macro economy, and the industry has faced many challenges over the past year. As the economy recovers, SMEs will rebound and gradually increase their investment in security, digitalization, intelligence and other areas. Digital transformation is an inevitable trend, and plays a key role in helping SMEs break the development bottleneck, weaken their dependence on the external environment and build long-term competitiveness. According to the estimation of iResearch Consulting, the market size of digital services for SMEs exceeded 300 billion in 2022. This market includes AIoT devices and marketing and re-purchase of multi-scenario digitization solutions and product packages for stores, parks and factories, as well as engineering services and SaaS application services, which is vast in size and holds great potential for growth.

Based on industry understanding and user insight, Hikvision uses AIoT devices as digital infrastructure to improves equipment management, explore business applications, and provides low-cost, lightweight, tailor-made and precise solutions and services for various SMEs, reducing choice and usage costs for customers and users.

Hikvision continues to expand its presence in the lower-tier markets, and works with nationwide partners to shift from the single-loop model of channel-customer-user based on product distribution to the double-loop ecosystem of solution marketing + service provision. Moreover, the Company develops online and offline digital store business and builds a service mesh to better promote digital transformation of SMEs.



4.3.2 Core Technologies: Mutual Promotion between Online and Offline Channels Driven by Hikvision SMBG HikLink and Hikvision SMBG E-commerce

Hikvision has established two mainline platforms: Hikvision SMBG HikLink and Hikvision SMBG E-commerce, which provide an empowerment platform for security professionals, a project contractor workbench, an SME service platform and an open platform for ecological cooperation that serve channel customers, project contractors and SME users. Based on the infrastructure capacity and the partner network, an empowerment platform is built to adapt to the industrial structure.

Hikvision SMBG HikLink: This is an AIoT platform that provides multi-scenario solutions and services for SME users. With Hikvision’s AIoT capabilities, this platform can access video, access control, intercom, attendance, fire protection, alarm, transmission and other categories of products to provide IoT-information network integration applications powered by the "video + access control card." Hikvision creates scenario-based solutions and services in collaboration with ecosystem partners for scenarios such as communities, office, retail stores, factory parks, and agricultural farming. Hikvision SMBG HikLink Pro provides a project management tool for project contractors, accumulates project data, and increases service performance efficiency, supporting project contractors in providing solutions, subscription services and operation and maintenance services for users, and increasing business efficiency and revenue for project contractors.

Hikvision SMBG E-commerce: It is an empowerment platform for security professionals, integrating engineering tools, marketing empowerment, solutions, product information, service and operation. Based on the marketing service system, the platform offers online showrooms, scenario-based product matching guides, online pre-sales, service squares and others, contributing to the upgrading of the industry chain. For now, it has served more than one million security professionals.

The Hikvision SMBG HikLink and Hikvision SMBG E-commerce platforms are mutually supportive and spirally driven to help project contractors manage equipment and projects efficiently, enhance professional capabilities and serve users efficiently, thereby creating one-stop preferred products and services defined by omni-channel, whole-process and omni-scenario offering for SMEs.

4.3.3 Value Fulfillment

1) Facilitate digital transformation of SMEs through the provision of one-stop solutions and services

Hikvision develops online and offline digital store business based on solution marketing, connecting with users and continuously providing services. Through the expansion of product lines, Hikvision builds an AIoT cloud platform that provides simple and good solutions and standardized services for SMEs. The Company integrates multi-terminal capabilities with a focus on the "video + access control card" business to support the access of more than 100 kinds of access control, attendance, and visual intercom devices, as well as intelligent applications such as All-Purpose Card, cloud attendance, cloud intercom and cloud visitors. Hikvision has provided scenario-based solutions for tens of thousands of SME users such as communities, factories and parks in collaboration with national partners, with the number of access devices and users maintaining high growth throughout the year.

2) Promote the digital transformation of security professionals and enhance their service capability

Hikvision SMBG E-commerce empowers and enhances the efficiency of security professionals by supporting intelligent order matching of multiple products through the upgrading of the order matching tool, which generated nearly 100,000 orders in 2022. The product material database covers the whole selling process including pre-sales, sales and after-sales, which has processed more than one million inquiries throughout the year. The platform promotes solution marketing by providing more than 100 types of solutions and digital showrooms to increase brand influence. It has optimized social marketing tools, which have been shared more than 100,000 times by nearly 10,000 customers. SMBG E-commerce Live Streaming helps connect channel customers with their downstream partners. Nearly 1,000 live streaming activities have been conducted on the platform and more than 100,000 people

have participated in live interactions throughout the year.

Hikvision SMBG HikLink Pro provides a project contractor workbench equipped with various professional equipment configuration and debugging functions to assist the project contractors in project delivery and system operation and maintenance, which has provided services for tens of thousands of project contractors, with key functions used more than 100,000 times.

Looking ahead, Hikvision will work with channel customers, project contractors and ecosystem partners to provide more competitive scenario-based solutions, while establishing connection with SME users to facilitate their digital transformation. An IoT system will be established to unlock more possibilities.

4.4 International Business: Continue to Promote the Localization Strategy of "One Policy for One Country" and Improve the Global Marketing and Service Network

4.4.1 Overview

In 2022, overseas markets gradually recovered and some regions maintained rapid economic growth, providing good opportunities for Hikvision's international business. Although geopolitical tensions, energy crisis and inflation bring uncertainties to the macro environment, the Company's international business has maintained overall steady development due to its presence in many countries and regions, and optimization of operations.

Hikvision continuously promotes the localization strategy of "one policy for one country" for its international business, improves the global marketing and service network system, and promotes the localization of R&D, manufacturing, logistics and after-sales service, thus quickly responding to the needs of customers, users and partners. By 2022, the Company has set up 72 branches, subsidiaries and offices in the international market including Hong Kong, Macau and Taiwan regions of China. In 2022, the Company also set up a new R&D center in Dubai to satisfy the customized needs of regional markets together with overseas R&D centers in Montreal and London. Furthermore, Hikvision built 5 new overseas logistics warehouses, bringing the total number of warehouses to 17 and improving local logistics coverage and distribution capabilities. The Company set up 2 new overseas call centers, reaching a total of 13. These centers enable Hikvision to actively expand cooperation with channel partners, extend the technical service networks and provide customers with timely and high-quality after-sales services.



Hikvision’s long-term investment and accumulation in technological innovation, product R&D and production delivery allows the Company’s products to maintain a dominant position in overseas markets. With the steady growth of the video business, non-video businesses such as access control, alarm, intercom and commercial display are growing rapidly, and have offered products for many market segments. Meanwhile, the Company actively expands the vertical industry market, providing a complete range of scenario-based solutions for transportation, retail, logistics, education, energy, manufacturing and other industries to improve the digitalization, intelligence and automation of business operations for customer and users.

4.4.2 Core Technologies: Sound and Solid Product and Technology System for International Business

With its solid technical foundation and continuous technological innovation, Hikvision has always been competitive in overseas markets and has formed a complete product and technology system that meets the needs of these markets. In 2022, the Company launched and optimized several types of products and solutions powered by image technology, AI, multi-dimensional perception and fusion applications, which adapted to different business scenarios.

1) All-weather, all-environment image technology

Video image technology has always been superior technology of Hikvision’s international business. By leveraging dual-light fusion, ISP and mixed fill light technologies, the Company has developed ColorVu and

DarkFighter technologies that enable HD and color imaging at night or under low light conditions, which have been used in 4K HD, high magnification zoom, panoramic imaging and other products to meet the needs of different scenarios and applications. Additionally, Hikvision provides special product series such as anti-high and low temperature, explosion-proof, anti-corrosion and anti-vibration that ensure stable and clear video imaging under complex and harsh environmental conditions.

2) More extensive and open AI applications

Hikvision delivers a greater variety of AI applications and diversified solutions according to the market demand, development stage and policies in different countries and regions. The ANPR and intelligent perimeter alarm products developed and manufactured by the Company have been widely used in the international market. AI applications such as people counting, queue detection, vehicle feature detection, speed detection, traffic flow analysis, intelligent parking management, and personal protective equipment (PPE) detection are gradually being implemented. At the same time, the Company is committed to build an open AI platform that shares its hardware and software products with international technological partners while launching the latest HEOP 2.0 open platform to better meet the diversified needs of the market for AI applications.

3) Continuously expanding perception technology capabilities

Based on visible light perception, Hikvision continuously expands multi-dimensional perception technologies such as infrared light, millimeter wave radar, X-ray, and acoustic wave to enrich IoT perception capabilities. The Company has launched a diverse range of perception product series in the international market, covering radar, thermal imaging, access control, visual intercom, and alarm products. The Company combines visual perception technology with other perception technologies to provide innovative products and solutions, such as an integrated radar and video machine for perimeter protection and traffic blind spot detection, as well as an alarm system with different detectors such as water level, smoke and vibration detection, and video re-check.

4) Integrated multi-device and multi-system applications

In response to the increasing demand for integrated applications, Hikvision has developed a system integrated with multi-device and multi-system applications to meet the differentiated needs of the market. The Company provides Hik-Partner Pro and Hik-Connect for small and medium-sized businesses, which allow customers to run, maintain and manage multiple devices in the same interface conveniently and link video with non-video devices. The Company offers HikCentral series platform management software to large and complex scenario-based

businesses. The software integrates video security, access control management, visitor management, alarm, fire prevention, emergency management and other systems and supports the integration of non-security information systems to form a comprehensive IoT solution, providing more comprehensive data for management decisions of customers and users.

4.4.3 Value Fulfillment

Hikvision is committed to continuously creating value for international customers through technological innovation and localized products and solutions, and working together with them to build a more secure, efficient and intelligent world.

1) Create one-stop solutions for SMEs

SMEs are generally more concerned about the ease of use of security products and systems, and prefer light intelligent applications. Hikvision creates one-stop security and intelligent application solutions for SME users, providing diversified products, unified and convenient management platforms and tools to enhance the ease of use of security systems and intelligent applications and reduce comprehensive costs for customers.

2) Promote industry intelligence and digitalization

With AIoT technology, Hikvision provides systematic and scenario-based solutions for international industry customers that cover transportation, retail, logistics, education, energy, manufacturing and other market segments, promoting industry intelligence and digitalization. For example, in the logistics industry, the park management solution enables unified management of vehicles, people, space and goods to ensure park safety and improve operational efficiency. For the energy industry, an intelligent inspection solution allows remote monitoring and warning of key areas and equipment status to improve emergency handling capability and efficiency.

3) Promote the open sharing of the AIoT ecosystem

As the IoT industry is characterized by diverse products, fragmented scenarios and individualized application demands, Hikvision builds an open AIoT ecosystem to promote industry cooperation. In terms of device openness, in addition to the traditional ISAPI, Hikvision releases the OTAP architecture protocol that covers all Hikvision products with a set of open protocols to improve the efficiency of product integration for technical partners. In terms of platform openness, cloud and OpenAPI platform are used to achieve unified management and integrated application, which help reduce the development cost of higher-level applications. In addition, Hikvision shares

technical and market resources with ecosystem partners through the Global Technology Partner Program.

4) Contribute to sustainable social development

Hikvision has integrated corporate social responsibility into its business practice from R&D design to product manufacturing, constantly exploring and practicing the concept of green and low-carbon development, and promoting sustainable social development through technological innovation. In 2022, Hikvision delivered the STAR Public Welfare Partnership Program across the world. Through cooperation with non-profit and social welfare organizations, the program aims to provide technical support in various fields such as biodiversity monitoring and protection, environmental monitoring and protection, and cultural heritage protection, using technology to promote the implementation of more public welfare projects and striving to create a better future for human beings.

In response to the differentiated needs of overseas markets, Hikvision will continue to strengthen the construction of regional R&D centers, enrich the international product and solution system, and promote the localization strategy of "one policy for one country." Moreover, the Company will expand the localized marketing and service network to continuously create value for international customers, users and partners and achieve win-win development.

5. Innovative Businesses

Hikvision's continuous efforts in technical reserves and expanding business scope provide a good environment for innovative business development. Currently, its innovative businesses include EZVIZ Network, HikRobot, HikMicro, HikAuto, HikSemi, HikFire, Rayin and HikImaging. The solid growth of innovative businesses has continuously injected new impetus into the long-term stability and sustainable development of the Company.

5.1 Innovative Business - EZVIZ Network

In March 2015, EZVIZ Network was created as the first innovative business based on Hikvision's co-investment scheme. Its vision is to become a trusted provider of smart home services and IoT Cloud Platform. After seven years of strong growth, the company has developed a "1+4+N" smart home ecosystem for individual and family consumers that provides intelligent life solutions primarily based on visual interaction to bring a technology-enabled casual, comfortable and enjoyable life for people. Moreover, by leveraging the self-developed EZVIZ Open Cloud Platform, the company shares its cloud platform service capabilities for intelligent videos with industry

partners to jointly establish an IoT cloud ecosystem. The company has been actively developing domestic and international markets, synergizing online and offline channels, and building diverse multi-level marketing channels, with continued steady growth in sales performance and online user base.

On December 28, 2022, EZVIZ Network was successfully listed on the STAR Market of the Shanghai Stock Exchange as the first spin-off subsidiary of Hikvision. For details of EZVIZ Network, please refer to EZVIZ Network 2022 Annual Report.

5.2 Innovative Business - HikRobot

Combining visual perception, AI and navigation control technologies, HikRobot focuses on industrial IoT, smart logistics and intelligent manufacturing with solid algorithm accumulation, strong software and hardware development capabilities, and a complete marketing system. HikRobot continuously invests in the fields of mobile robots and machine vision to promote the digitization and intelligence of manufacturing and logistics.

5.2.1 Mobile Robots: Focus on Intralogistics and Promote Intelligent Logistics of Factories

As a dedicated provider of mobile robot products and solutions, HikRobot continuously concentrates on create greater value for users through technological innovation. In 2022, the company focused on the standardization and serialization of product development, improved the efficiency of the entire process from design and development to implementation and deployment, increased efforts in industry applications, and actively developed its overall solution capability, thus securing an advantageous position in new energy, automotive manufacturing and other industries.

1) Four hardware product series

LMR (Latent Mobile Robot) series: HikRobot's fourth-generation Q3 and Q7 products released in 2021 have been widely used in new energy industries such as photovoltaics and lithium battery, as well as in the production process of automotive OEMs such as final assembly and welding. These products formed a number of highly competitive solutions for internal automated logistics. In 2022, HikRobot released the Q2 series, also based on the fourth-generation architecture, to better meet the needs of smaller space application scenarios such as 3C electronics manufacturing.

CMR/HMR (Conveyor/Heavy-duty Mobile Robot) series: In 2022, the CMR/HMR product line focused on the photovoltaics, lithium battery, automotive manufacturing and other industries, closely integrated with the

production line, and launched a number of industrial products. In the photovoltaic slicing segment, a fully automated loading and unloading robot for use with a slicing machine has been launched. In the lithium industry, a special model for double-lift integrated with the coating process has been introduced, which can achieve a docking accuracy of $\pm 2\text{mm}$. In the automotive manufacturing segment, a delivery robot specially designed for main production lines has been used for the first time, while the Traction series has significantly improved its competitiveness and has been used at large scales.

FMR (Forklift Mobile Robot) series: In 2022, by upholding the concept of independent design and development, the company developed a number of core components and significantly enhanced its product strength. The rated load of the F4 Stacking series and F3 Handling series were increased to 2 tons and 3 tons respectively. Also, HikRobot released F5-1600, a self-developed product of the Forward-Moving series.

CTU (Cargo To You) series: In 2022, HikRobot focused on the standardized and modular development of key components, significantly improved development efficiency and product quality. The company has expanded the application of its products to photovoltaic and lithium battery production, and also across the pharmaceutical distribution, garments and footwear industries. Moreover, a product with an access height of more than 8 meters has been launched for storage applications.

2) Software product series

HikRobot has independently developed a low-code platform and a series of components that can quickly perform core services such as third-party system interfacing, business process scheduling and user interaction interface design to significantly reduce the development difficulty, improve the development efficiency and respond to user needs more quickly. The company has increased its investment in operation optimization algorithms for iWMS, an intelligent warehouse management system independently developed to meet warehousing needs. The operational efficiency of the system has been significantly improved through optimization of order batches, inbound warehousing management and cluster scheduling.

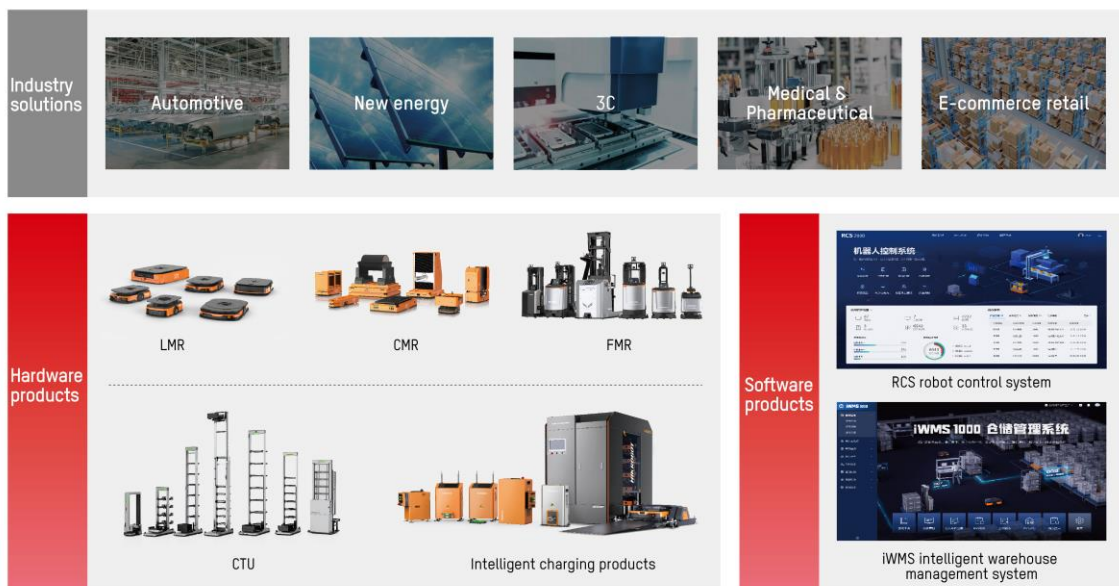
3) Solution development

Automotive industry: In 2022, HikRobot further expanded the application of its products from in-factory logistics and distribution to process manufacturing in the automotive industry, and made breakthroughs in the final assembly line and sub-assembly line, transforming the original process logistics model and making manufacturing logistics more flexible and scalable. In addition, the application of solutions and industry penetration rate in the

commercial vehicle and upstream component segments has steadily increased. Through extensive and in-depth solutions implementation, HikRobot has helped users to improve operational efficiency and management efficiency.

3C industry: In 2022, HikRobot intensifies efforts in the display panel industry. In view of the characteristics of this industry, including different forms of display panel products, high storage requirements, complex business needs and multiple dimensions of material quality management, the company has developed scenario-based solutions such as aisle warehousing, material stacking, inbound or outbound warehousing of designated materials, which effectively met the production and operation requirements. Furthermore, the company has developed and improved solutions for typical and complex businesses such as incoming materials inspection, multi-level management by serial number, and SMT backflush management to suit flexible manufacturing needs and enhance unmanned, automated and intelligent logistics throughout the factory.

New energy industry: In 2022, mobile robot systems found large-scale applications in photovoltaic and lithium battery fields. These systems have been applied in crystal pulling, slicing, cell wafers and PV modules in the photovoltaic industry as well as in early electrode manufacturing, intermediate cell manufacturing and late battery assembly in the lithium battery industry. Pre-scheduling, partition task management, large-scale cluster scheduling and other algorithms have been utilized to further guarantee on-site production efficiency, meet the operational and management requirements of lithium battery enterprises such as production capacity, production efficiency, quality control, and cost control.



As the global manufacturing industry is undergoing another round of transformation and upgrading, and has a strong demand for automated logistics, the mobile robot market will continue to grow at a high rate. In 2023, the

company will continue to expand the application of AI in AMR's perception, planning, control, and collaboration, and leverage 3D vision and other perception technologies to enhance the autonomous capability of AMR, striving to expand its applications and market presence. To empower partners, HikRobot will build an industrial software platform in the field of AMR, so that partners will be able to more easily customize robots, more rapidly tailor systems, and better serve end users.

5.2.2 Machine Vision: Focus on Industrial Perception and Drive Digital and Intelligent Production

As the core of industrial perception, machine vision is the eyes of robots and automation equipment. It is also an integral part of flexible and intelligent production. In 2022, HikRobot focused on the optimization of 2D vision, intelligent ID and 3D vision product lines. Moreover, the company has cultivated a vision application ecosystem centered on the Vision Master (VM) Software Platform, and worked with partners to meet the needs of fragmented industrial applications.

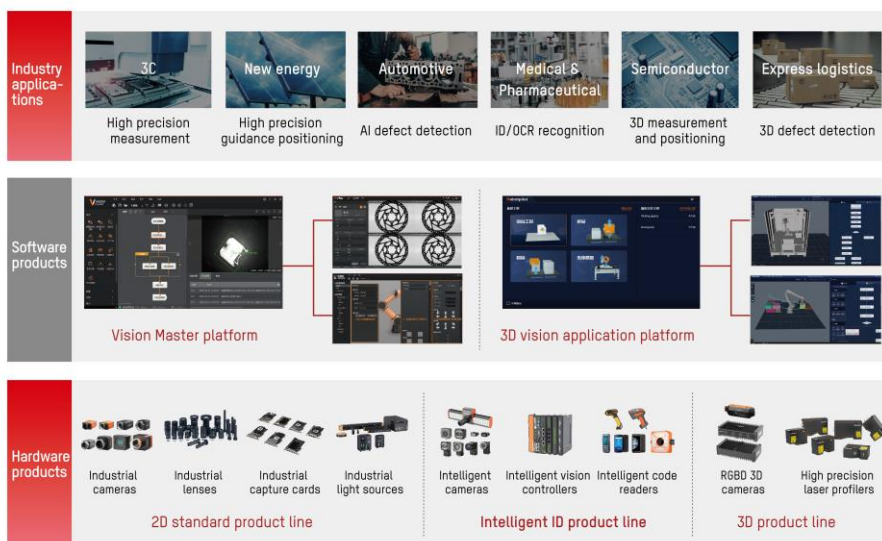
1) Three product lines

2D vision product line: HikRobot continues to develop competitive industrial cameras, lenses, light sources and capture cards powered by image capture technology, providing industry customers with standardized core devices for image capture. In 2022, the company upgraded the platform for a full range of industrial cameras. HikRobot has expanded the CU Economical and CS Enhanced categories of industrial cameras and completed the switchover of the original CE and CA series products. Moreover, the company upgraded the platform for the CH series and released a camera with an optical fiber transmission interface, while expanded the CL series line array cameras based on the next generation of domestic 4K and 8K image sensors. The company developed a variety of large format line-scan lenses with a diameter of 60 mm and 80 mm to satisfy the demand for high-end line-scan applications. It has expanded the light source series including strip, ring and surface ones, and enriched and optimized light source controllers. In addition, the company has launched Gigabit network capture cards based on domestic PHY chips and 10 Gigabit network capture cards based on optical fiber interfaces, while continued to optimize Cameralink and CoaXPress capture cards to improve their compatibility with third-party cameras.

Intelligent ID product line: HikRobot focuses on open ID algorithm platforms and general-purpose intelligent hardware products supported by vision algorithms, providing the industry with an efficient and high-performance intelligent processing platform. In 2022, in terms of vision algorithms, the company continuously optimized the performance and efficiency of template matching, Blob analysis, geometry finding, character recognition and image

segmentation and other algorithms, and developed surface defect detection, fast classification, instance segmentation, defect comparison and other algorithms based on the characteristics of industry applications. These efforts have further consolidated the company’s technical competitiveness in underlying algorithms for machine vision. In terms of intelligent products, HikRobot has provided an open underlying module framework for algorithm platforms VM4.2 and VM4.3 that enables flexible secondary development and support secondary encryption by application developers. The company has significantly optimized the performance and efficiency of the algorithm platforms, making them more open, safer, and more efficient. IDH7000, IDH5000, and IDH3000 and other series of handheld code readers have been introduced to further complement the code reader family. In addition, the company has increased efforts in industry applications, and improved the competitiveness of industrial code readers, intelligent cameras, vision controllers and other products through optimization of their performance and ease of use.

3D vision product line: HikRobot provides a one-stop 3D vision software and hardware solution for customers with a focus on two major applications enabled by 3D sensing technology, high-precision measurement and robot gripping. In terms of high-precision measurement, the company introduced a lineup of laser profile sensors in 2022, including 4 models of DP2000 series with higher performance DP3000 series under development. Moreover, it has switched 3D vision analysis software to VM framework and launched VM 3D version, which has been promoted and applied in many industries such as lithium battery, 3C and automotive parts, and well received by the market. In terms of robot gripping, HikRobot released a multi-DOE binocular scattering camera for depalletizing applications and a laser oscillator RGBD camera for workpiece gripping applications in 2022. Furthermore, the company continues to optimize the 3D robot application software platform to gradually gain competitiveness in 3D robot gripping applications.



2) Ecosystem construction

With excellent hardware and software capabilities, HikRobot endeavors to establish a new machine vision ecosystem. In 2022, the company continued to put efforts into the development of a machine vision ecosystem by promoting the Ecosystem Partner Program v2.0 in the industry, further expanding the scope of training and certification for machine vision application engineers, and identifying and cultivating ecosystem partners in various industries. It has incorporated 3D products into the ecosystem program to enrich the content of visual empowering. In 2022, the company held dozens of offline and online technical exchange meetings, and carried out a range of specialized machine vision competitions through V-club, providing more dynamic and professional learning opportunities and display platforms for machine vision professionals.

3) Solution development

Through technological empowerment, HikRobot assists ecosystem partners in promoting the implementation of vision solutions in different industries.

In 2022, the new energy industry maintained a rapid development momentum. HikRobot has focused on key production processes of the lithium battery industry. The combination of traditional algorithms with deep learning technology has been used to efficiently detect and classify electrode defects in the front-end electrode inspection process. Vision solutions for high-speed lamination-related vision inspection, measurement, deviation correction, alignment and other applications have been developed and massively implemented in the intermediate cell production process. The company has also focused on the module production process of the photovoltaic industry and developed many standardized vision solutions for assembly inspection, EL inspection, bus bars, module inspection and junction boxes, etc. These products have been widely used in the production of photovoltaic modules, significantly improving production efficiency and product yield.

HikRobot provides a 3D automated robot gripping solution for stamping and die casting parts for the automotive industry, and has launched a disposable glove AI inspection solution for the medical industry and an automated crossbelt supply solution for the express logistics industry. The company has released a software development framework in the 3C industry for a large number of non-standard vision-guided localization applications, helping partners to quickly create vision solutions.

As conventional industries continue to transform and upgrade, and relevant industries such as new energy and medical develop rapidly, the machine vision industry will maintain rapid growth driven by AI, 3D and other technologies. In 2023, the company will increase investment in AI quality inspection, 3D technology, VM software,

and standardized vision systems and other areas, provide customers with simpler and more open hardware and software products, establish a machine vision ecosystem, and create greater value with partners at all levels of the industry chain.

Looking forward, HikRobot will continue its efforts in intelligent manufacturing while remaining committed to the two business areas – mobile robots and machine vision. The company will help users to improve production quality, enhance efficiency and reduce costs through technological innovation of software and hardware products and platforms and continuous improvement of delivery processes, thus facilitating the development of global intelligent manufacturing.

5.3. Innovative Business – HikMicro

Combining infrared thermal imaging technology with MEMS technology, HikMicro provides core components, detectors, modules, infrared thermal imaging products and overall solutions to the world. The company’s products are widely used in industrial temperature measurement, outdoor, generic-security and other fields.



5.3.1 Product Innovation

After years of accumulation, HikMicro has established five advantages, namely clear image, advanced intelligence, efficient temperature measurement, stable design and reliable manufacturing.

HikMicro provides multi-form products and one-stop integration services from detectors, modules to complete machine to better empower the infrared industry. In 2022, HikMicro further complemented its integrated products to completely achieve coverage from 96*96 to 1280*1024 resolution.

The company’s 96*96 resolution detector, which is less than the size of a mineral water bottle cap, integrates

lens, detectors, stoppers, temperature sensors and other functional hardware, greatly reducing the cost and power consumption. A universal hardware interface and built-in calibration data facilitate products integration, enabling the application of this detector in multiple sectors including instrumentation, intelligent hardware, IoT, smart home, pandemic prevention and healthcare. Moreover, the company has launched a miniature PTZ camera that is ultra-lightweight and small in size, and features multi-dimensional sensing and intelligent algorithms. This camera reduces the integration difficulty and expanding the application fields.

5.3.2 Industrial Application

By leveraging its technical advantages in sensors and product design, HikMicro has grown rapidly, providing specialized segmented services for customers in industrial temperature measurement, outdoor and generic-security, among other areas.

Industrial temperature measurement market: In the industrial infrared temperature measurement market, HikMicro further improves its product solutions for industrial applications including non-destructive testing, predictive maintenance of equipment and safety inspection of production processes which are widely used in different industries. In the power industry, these products facilitate safety testing in power generation, transmission, transformation and distribution. In the steel industry these products are used to test key production processes such as coking, sintering and steel rolling. In the coal industry, these products serve to monitor the status of key equipment including belt machines, coal mining machines and coal cutters. They are also used to manage production safety of oil fields, refineries, chemical parks and other applications in the petroleum and petrochemical industry.

Industrial temperature measurement products are iterated and innovated continuously according to the needs of different applications. For the steel industry, the company has launched ultra-high temperature resistant products that assist in determining the adequacy of sintering to ensure production efficiency. To respond to the needs of coal, oil fields, and other flammable and explosive scenarios, the company has introduced a family of intrinsically safe explosion-proof products to guarantee the safe production of enterprises.

Outdoor market: Thermal imaging is widely used to detect targets in lightless or low-light environments in search and rescue, patrol and other outdoor scenarios. HikMicro takes advantage of its strengths in images to promote the AI-ISP super-resolution image enhancement algorithm. This algorithm enables AI quadruple super resolution by means of deep learning, capturing all image details and improving overall image quality.

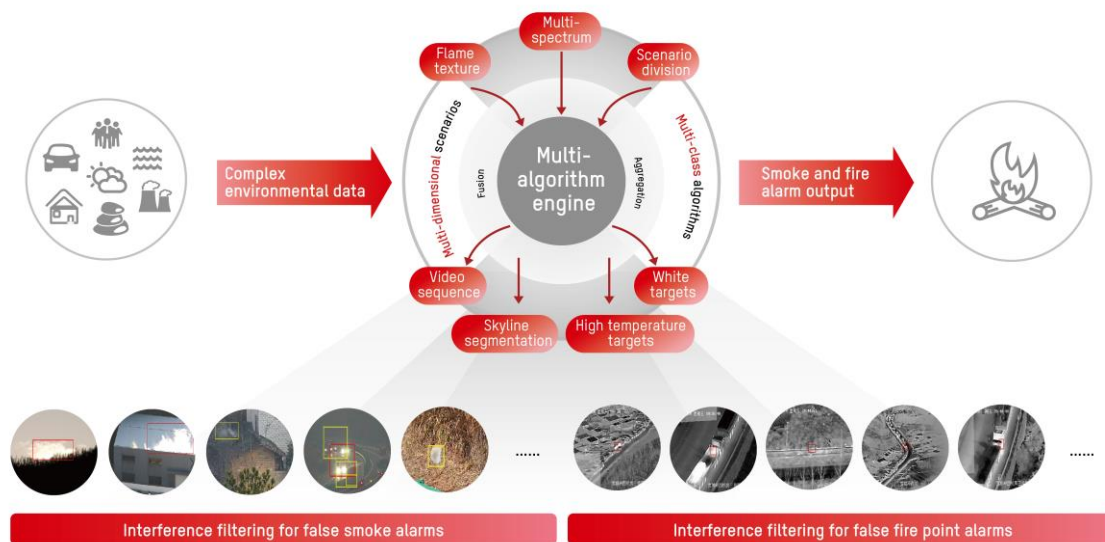
The company has launched NETD⁵ 25 mk high-sensitivity series products. Compared to the mainstream 35~45 mk devices, these products offer smaller temperature differences discernibility, lower noise and higher clarity, thus helping users identify targets more easily.



Generic-security market: In 2022, HikMicro expanded its product lines for generic-security applications by introducing a full range of intelligent products from 96*96 to 1280*1024 resolution. These products achieve full coverage from fragmented security scenarios to high-end application scenarios, and are widely used in different scenarios such as perimeter prevention, indoor fire prevention and commanding heights. In terms of perimeter prevention, HikMicro has introduced a dual-light detection algorithm that combines visible light with thermal imaging capabilities using dual-light fusion, target detection, background modeling and multi-target association technologies. This algorithm effectively detects targets and reduces false alarms in both small temperature difference⁶ and strong light environments. Fire point identification application is the key need of commanding height scenarios. There are numerous targets with complex interference in practical scenarios such as forest fire prevention, straw burning prevention, municipal commanding height firefighting, where many sources of false alarms exist, such as smoke cloud and high temperature rocks. To address this problem, HikMicro has upgraded the original smoke and fire detection algorithm to a multi-algorithm engine, which filters interference and significantly improves alarm accuracy through the fusion of multi-dimensional scenes and the aggregation of multi-class algorithms.

⁵ NETD: Noise Equivalent Temperature Difference, the minimum temperature difference an infrared detector can detect. It is one of the main indexes to measure the performance of infrared detectors.

⁶ Small temperature difference scenario refers to a scenario where the temperature difference between the background and target is so small that the target blends with the background and is difficult to identify.



In the future, HikMicro will continue its efforts in MEMS and sensor technology, while continuously consolidating its technical advantages of the products to make thermal imaging available to the public.

5.4 Innovative Business - HikAuto

HikAuto focuses on the field of intelligent driving. Centered on video sensors, and in combination with technologies such as radar, AI, and perceptual data analysis and processing, HikAuto is committed to becoming the industry’s leading supplier of vehicle safety and intelligent products powered by video technology. It provides a wide range of services to domestic and international passenger and commercial vehicle users, consumers at all levels, and industry users.

5.4.1 Steady Development of the Passenger Vehicle Pre-installed Market

In 2022, the wholesale sales of the domestic passenger vehicle market continued to grow, and the penetration rate of new energy vehicles increased rapidly, driving the market share of domestic brands to a record-high, and the intelligent development of the whole vehicle is rapid. HikAuto passenger vehicle pre-installed market sales and the number of new projects maintained a high growth rate.

In terms of vision sensors, HikAuto expanded its leading advantage in market share, made effective breakthroughs in new project and new customer development, and 5 megapixel and 8 megapixel high-end intelligent driving cameras achieved mass production in many domestic leading car companies' platform-based vehicle models.

In terms of intelligent driving, the company focused on UV fusion⁷ perception and cockpit visual perception technologies, increased investment in parking and VIMS (Video Intelligent Monitor System) products, and achieved mass production of more than 10 projects for several domestic leading car companies, with the leading share of new projects in China. In terms of driving-parking integrated intelligent driving products, the company integrated vision, ultrasonic and millimeter wave radar and other perception capabilities to provide intelligent driving domain controller products that suit different customer needs. In 2022, the company made a breakthrough in mass production, discovering new growth opportunities.



In 2022, the company continued to promote cooperation with joint ventures and international brands, while steadily implementing the development of multiple platform-based product projects with a number of joint venture and international car companies.

In 2023, HikAuto will increase investment in R&D to lead the development of domestic vision sensor technology. Moreover, the company will create an intelligent driving domain control system with a focus on L2+ intelligent driving scenarios to satisfy all kinds of needs. It will also actively explore solutions for integrated intelligent driving and cockpit, providing more options of intelligent products for customers.

5.4.2 Consolidating Advantages in the Passenger Vehicle Aftermarket

In 2022, the penetration rate of dashcams and panoramic view monitors continued to increase in the automotive aftermarket. Despite the impact of external factors such as weak consumption and shrinking demand, HikAuto’s

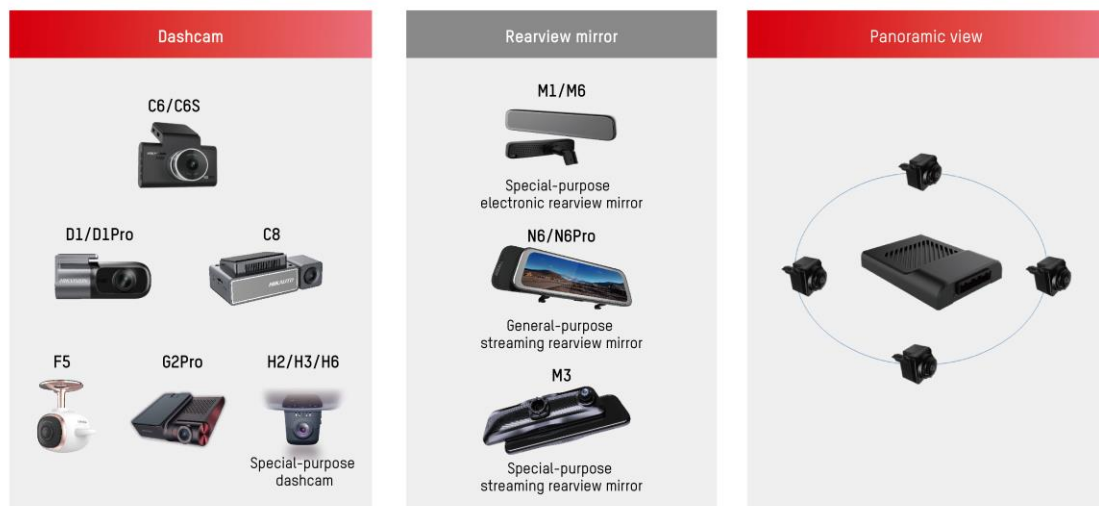
⁷ UV fusion stands for Ultrasonic Vision fusion, and refers to the combination of ultrasonic radar and vision.

aftermarket products maintained solid development with year-over-year growth in sales and shipments.

HikAuto provides a full range from 2 megapixel to 4K dashcams and actively explores consumer needs. In 2022, the company launched the industry’s first F5 series dashcam with a fragrance system, which was well received by the market. HikAuto’s panoramic view monitors have been installed in more than 60 models of 9 collections from multiple international major brands, with stable performance and leading technology.

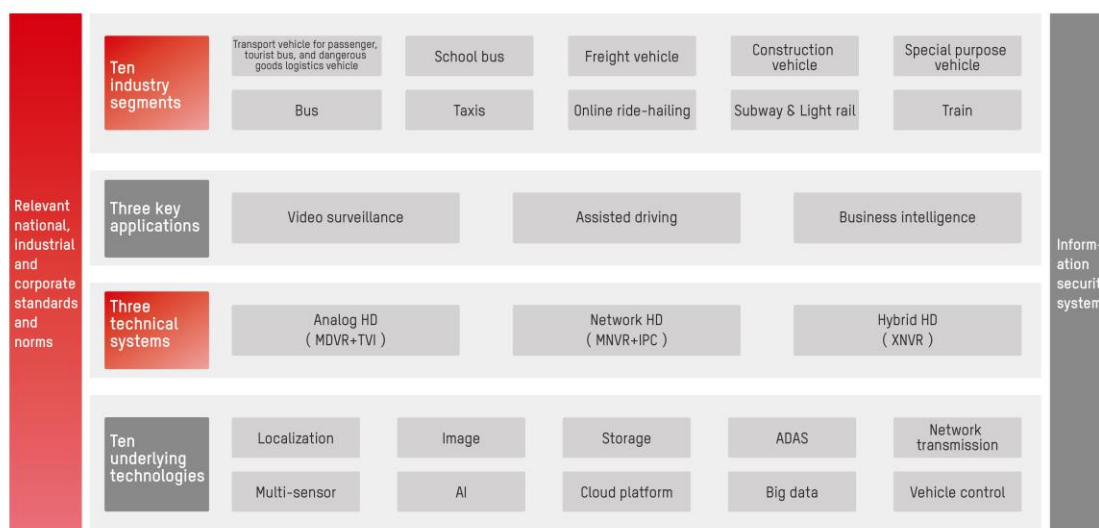
After two years of development, the M1 electronic rearview mirror with ultra-low-latency high-definition night vision complies with the automotive-grade quality requirements. It is generally recognized by consumers and achieves high sales growth. On December 29, 2022, the national standard, GB 15084-2022 *Performance and Installation Requirements for Indirect Vision Device of Motor Vehicles*, was introduced to support the development of electronic rearview mirror. The standard is planned to be implemented as of July 1, 2023, bringing greater opportunities for development to the market. The company will continue to increase investment in this product line.

HikAuto online flagship store has ranked at the top of dashcam store sales list on JD.com in the past three years, winning consumers’ trust. The company will create greater value for customers through continuous innovation and a deeper understanding of market demand.



5.4.3 Growth in Commercial Vehicles despite a Downside Market

In 2022, despite economic fluctuations and overall sluggish demand, HikAuto achieved growth in the commercial vehicle business unit due to great efforts in product innovation and R&D investment.



In terms of key technologies, the company continues to optimize the combination of BeiDou and GuanDao positioning algorithms to significantly improve positioning accuracy. It expands the applicability of ADAS/DMS⁸ intelligent algorithms by making them adaptable to more commercial vehicles. FCW, LDW, PCW, BSD⁹ and DMS are among the top in terms of practicality in domestic commercial vehicle models.

In terms of products and solutions, HikAuto has released a lineup of transport vehicle for passenger, tourist bus, and dangerous goods logistics vehicle that comply with the new national standard GB/T 19056-2021. The company has obtained several projects from bus and truck OEMs. It has upgraded solutions for buses, school buses and construction vehicles, and developed more practical AI segmented scenario algorithms to enhance vehicle digitization, provide safer driving assistance capabilities for drivers, and allow administrative agencies to analyze vehicle usage more scientifically. Additionally, the company has introduced a new matrix of vehicle monitoring products for the international market that cover up to 16-channel monitoring scenarios.

HikAuto’s cloud platform has enabled access to more than 500,000 vehicle-mounted video channels, and provides more reliable OTA functions. The platform features a new subsystem of big data analysis, helping users with fusion analysis of multi-source heterogeneous data and scientific decision-making. In terms of information security, the company has designed a full-link security system solution including hardware encryption, picture and video desensitization, SSL link encryption, and level III information protection certification of the central platform.

In 2023, with social and economic recovery, the commercial vehicle market will continue to develop toward

⁸ ADAS: Advanced Driving Assistance System; DMS: Driver Monitor System, a fatigue driving detection system for drivers.

⁹ FCW: Forward Collision Warning; LDW: Lane Departure Warning; PCW: Pedestrian Collision Warning; BSD: Blind Spot Detection.

greater application, integration and practicality. The truck market will see wider application of ADAS/DMS and the integration of a pilot vehicle system with an overload and overspeed monitoring system in more provinces. For the bus market, a majority of provincial capitals have planned the construction of an intelligent bus 3.0 system to promote integrated application of bus monitoring, bus scheduling, passenger flow statistics, ADAS/DMS, blind spot collision warning, pedestrian priority at crosswalk, electronic rearview mirror, 5G-V2X and other subsystems. As real estate and new urban infrastructure recover, the construction vehicle market will bounce back. Fatigue driving monitoring, aggressive driving monitoring and blind spot collision warning systems will gradually become standard features in new vehicles and connected with police traffic check points and E-police for composite management to lower the traffic accident rate. There is a clear trend in the international markets towards building video networks for buses, school buses and other fields, and accelerating intelligent application.

HikAuto will continue to increase R&D investment and innovate products and solutions in the commercial vehicle market to reduce traffic accidents, lower accident losses, and improve transportation efficiency, providing better services for customers worldwide.

5.5 Innovative Business - HikSemi

HikSemi is committed to providing worldwide users with professional overall storage solutions, with a focus on industrial control, data center, video surveillance, end-consumer and other application scenarios. With complete design, development and manufacturing capabilities, the company operates four product lines: solid-state hard disks, front-end storage, embedded storage and flash memory application.

5.5.1 Key Products

Guided by the mission to meet the diversified storage needs of users, HikSemi continues to iterate and expand its four product lines by attaching importance to R&D investment, unremittingly promoting technological innovation, and enriching application scenarios.

1) Solid-state disk (SSD)

For video surveillance scenarios, the company released the industry's first QLC-based embedded ultra-compact SSD for video surveillance in 2022. The product looks like a chip with an area of only 3.2 cm² and a capacity of up to 480 GB, further improving storage density.

For data center applications, the company has launched the D300 series of enterprise-grade SSD. This series

significantly improves data reliability by integrating the next generation of error correction engines, and reached 99% to 99.999% QoS with the support of new scheduling algorithms after laboratory testing.

For the end consumer market, the company has released DRAMless PCIe4.0 for use in the next generation of high-performance and high-speed applications which expanded the product matrix. Featuring host control and higher Flash operating frequency and host memory buffer technology, after laboratory testing, this series without independent cache has a maximum read speed of more than 7 GB/S and is power efficient. The performance of this product has reached the industry's leading level, which can meet the needs of content creators and e-sports enthusiasts.

2) Front-end storage products

Consolidate advantages and expand applications of memory cards. HikSemi launched a memory card in the video surveillance field in 2015. Over seven years of solid technology accumulation, the company has continued to consolidate its competitive advantages. It has launched card series of different themes for each application scenario in the end consumer market, and introduced 512GB memory cards for the mass storage market, providing better options for storage expansion.

Improve the presence of memory products. HikSemi actively expands its share in the DDR4 memory market while developing the DDR5 memory market through technology iteration. The company continues to introduce consumer memory products for personal computers as well as industry memory products for autonomous servers. In 2022, the company launched U100 WAVE, a new DDR4 RGB memory stick. The product is made from high-quality particles, and supports XMP3.0 one-click overclocking. It features a pure white PCB and a 2.5D tempered glass vest strip with exquisite RGB light strips, achieving a balance of performance and appearance. It is gradually gaining popularity in the personal computer assembly market.

3) Embedded storage products

Combining strict quality control with technological innovation, the company continues to expand the application of embedded storage products in industry segments and provides more reliable products, more relevant solutions and more professional localization services. As of 2022, the company's embedded storage products have covered SPI Nor Flash, SLC NAND Flash, eMMC, LPDDR, DDR4 and other product series that meet the needs of customers in the electric power, network communication, cell phone, security, smart home and other industries.

4) Flash memory application products

HikSemi keeps introducing new products and services, while continuing to optimize the in-depth application of production and R&D technologies to respond to new evolving scenarios and personalized needs.

Continuous innovation in mobile storage products: HikSemi takes user data protection seriously. The company combines Hikvision cloud backup software, Hi Backup with a U disk and a mobile SSD, breaking the barriers between online and offline data for users. HikSemi released USB 4.0 mobile SSD, leading industry upgrading.

Greater presence of flash peripherals: The company has created a range of high-performance laptop peripherals, including a dual-protocol hard disk cartridge supporting NVME and SATA interfaces, and a docking station with storage function.

Home storage products focus on user needs and improve interactive experience: With core values of security, convenience and intelligence, the company’s home storage products emphasize home data privacy and security, and have been certified to ISO27001 and ISO27701 international privacy information management systems. In 2022, the company released HikSemi Intelligent Storage UI 4.0 software. The product is perfect for household applications and offers a convenient interaction experience. It utilizes recognition algorithm to make an intelligent family photo album. Furthermore, the company has launched HIKSEMI_OS, an open platform for intelligent AI devices, to provide an underlying operating system for the implementation of storage solutions in different industries.



5.5.2 Outlook

In 2022, China's semiconductor storage industry experienced ups and downs, facing opportunities and challenges. HikSemi maintained proper internal management, responded to market changes calmly, developed channels steadily, and actively expanded the industry market, with sales revenue growing steadily for five consecutive years. The company has a marketing network covering more than 150 countries and regions, and has established cooperation with more than 3,000 enterprises worldwide.

HikSemi will stay true to its original intention of "storing every beautiful moment and using intelligence to change lives" and adhere to its user service concept of "dedicated to customers' continual success, adding value to companies and communities." The company will continue to explore user needs, and create differentiated products for different scenarios. With a vision to become a leading provider of integrated storage solutions in China, HikSemi will continue to provide consumers with safe and reliable storage devices, systems and solutions through technology innovation, product innovation, marketing innovation and brand building.

5.6 Innovative Business - HikFire

HikFire is a provider of intelligent fire protection IOT and intelligent management solutions powered by visualized IOT. By leveraging emerging technologies such as multi-dimensional perception, IOT, Internet of Vision, cloud computing, big data and AI, as well as professional image processing, innovative security-fire protection integration and IoT-information network integration technologies, HikFire provides products and services for the construction and operation of corporate and municipal fire protection IOT system, and creates an open fire protection ecosystem and a collaborative service system. Moreover, the company provides one-stop fire safety system solutions and fire management service solutions for users in municipal public services, enterprises and institutions, small and medium-sized users, aiming to create a four-dimensional intelligent fire management system consisting of smart perception, smart prevention and control, smart management and smart rescue. The company's business scope covers traditional fire protection, intelligent fire protection, platform software, e-commerce retail and other segments.

5.6.1 Main Business

1) Traditional fire protection: Enrich wired IOT products and further explore industry segments

HikFire has expanded its traditional fire protection product portfolio to fully cover the pre-installed market of

general fire protection. The products are divided into nine major systems in four segments: early warning, fire alarm, emergency evacuation and automatic fire control. In 2022, the company continued to develop and improve the automatic fire alarm system, emergency lighting and evacuation indicator system, fire broadcasting and phone call system, electrical fire monitoring system, fire equipment power monitoring system, residual pressure monitoring system, fire door monitoring system, combustible gas detection alarm and gas fire extinguishing control system.

Breakthrough in two-bus communication and low-power technology: As a key part of an automatic fire alarm system and a linkage subsystem, the two-bus communication technology is commonly used to achieve node power supply and communication. The company continuously upgrades and optimizes the basic technologies for two-bus communication such as underlying modulation and demodulation, filtering protection, chip engine, power management, wireless communication, bus protocol to improve the carrying capacity, anti-interference capability, communication stability and communication distance of the two-bus automatic fire alarm system.

Innovation of product and industrial applications: In 2022, HikFire launched new products and systems such as OS21 two-bus automatic fire alarm system, high-performance FS21 gas fire control system, and an economical emergency lighting and indicator system. The company has accelerated the application of traditional fire protection products in civil and industrial fields including industrial and commercial enterprises, culture, education & health, intelligent buildings, financial services, and energy & metallurgy. By introducing the business concept of traditional fire protection powered by IoT and vision, the company is helping users reduce comprehensive construction and operation costs and improve the efficiency of fire and risk control. In addition, the company actively explores the application of integrated fire prevention and control systems in the new energy sector. It has released integrated security and fire protection system, integrated fire prevention and control system for wind farms. Its three-level prevention and control system consisting of wind turbine prevention and control, wind farm prevention and control, corporate prevention and control has been put into use, achieving breakthroughs in application.



2) Intelligent fire protection: Promote the establishment of the IoT for fire protection and improve management and service efficiency of fire protection

As the traditional fire protection industry undergoes continued changes, the intelligent fire protection market becomes increasingly mature. HikFire offers a full range of intelligent fire protection products while creating operation and management IoT platform software for fire protection at the corporate, industrial and municipal levels to meet the needs of different scenarios in different industries. Through fire protection IoT featuring multi-dimensional perception, security-fire protection integration, system coordination, data sharing and service integration, HikFire aims to enable the early warning, early prevention and control, and early handling of fires, reduce fire safety risks, improve fire management efficiency, and reduce overall operating costs. The company offers fire protection IOT solutions for a number of industries according to their characteristics, including town and county infrastructure, financial services, cultural relics and ancient buildings, education, smart architecture, industrial and commercial enterprises, energy & metallurgy, elderly services, commercial chains, and new energy.

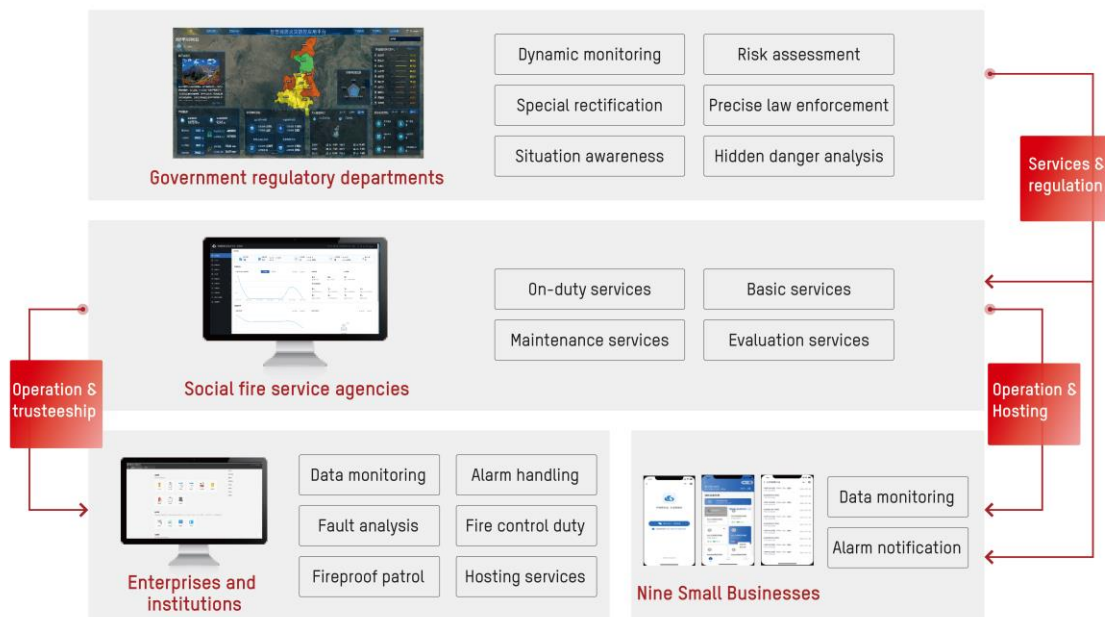
Breakthrough in dual-band fire and smoke detection technology: To address the pain points of many false smoke alarms and high operation and maintenance costs in firefighting scenarios, HikFire has applied dual-band photoelectric smoke detection technology and intelligent AI algorithms to the next generation of stand-alone photoelectric smoke detectors. Experiments and field data have been used for algorithm training of these products based on the reflection and scattering characteristics of different wavelengths on particles with different size such as smoke, water vapor, dust, oil smoke. This ensures the accuracy and timeliness of smoke and fire detection, while

significantly reducing false water vapor, dust and oil smoke alarms to improve reliability. This series of products also have the advantages of temperature and humidity detection, network signal diagnosis, infrared noise elimination and low-power consumption operation that reduce on-site operation and maintenance costs.

Implementation of multi-spectral fire fusion detection technology: Focusing on the demand of fire detection and alarm at very early stage, HikFire continues to enrich and expand the multi-spectral sensing dimensions. In 2022, the company released a new multi-spectral fire detector. The product integrates video image, multi-band infrared flame detection and thermal imaging temperature sensing technologies to achieve recognition of flame and smoke images, spectral analysis and non-contact temperature detection respectively. It is used to accurately detect, warn and alarm fires in complex scenarios. The product has been technically qualified and certified, suitable for fire prevention in large space, outdoor and key locations.



Four business platforms: HikFire creates a full-scenario application framework for corporate management, operation and hosting, and government regulation scenarios through the establishment of fire protection IOT standards, operation specifications and regulatory standards. The company aims to serve fire regulatory agencies, social service organizations, enterprises and institutions, and end-users in Nine Small Businesses.



3) E-commerce retail: Focus on fire safety for families and micro, small and medium-sized businesses and enhance brand awareness

The frequent occurrence of fire emergencies has led to a rapid increase of people’s safety awareness in China, stimulating the demand for fire safety products of individual consumers and small and medium-sized businesses. The household fire protection product series holds great potential to promote the development of the fire protection industry. HikFire has accelerated its e-commerce retail business by increasing the awareness, reputation and sales of gas detection, smoke detection and simple fire extinguishing products and fire emergency kits on major e-commerce platforms.

In 2022, HikFire released the next generation of smoke detection alarms and home combustible gas detectors with different networking solutions to meet the diverse needs of users. HikFire’s home fire safety kits and applications cover many aspects of fire protection such as automatic fire alarm, gas alarm, active identification of potential safety hazards, emergency fire extinguishing, escape and self-rescue. The company is committed to improving customer satisfaction through technological innovation and compliance with high quality standards.



5.6.2 Outlook

The next generation of digital technologies such as fire protection IOT, multi-dimensional perception, big data and AI are accelerating the integration of traditional and intelligent fire protection. This increases the demand for remote monitoring, management and control of fire protection, and further enhances the synergy between fire protection and security systems, leading the industry into an era of AIOT with physical world and digital world interconnected.

As fire protection reform deepens, AI application increases and safety awareness improves, there will be a growing scope of business and an increasing number of application scenarios for the fire protection business. HikFire will remain committed to technological innovation of the fire protection industry while striving to promote the construction of the standard system. With a philosophy of openness and cooperation, the company will establish, operate and manage intelligent fire protection IoT to provide one-stop solutions for customers and users that meet more scenario-based fire safety needs.

5.7 Innovative Business - Rayin

Rayin is focusing on X-ray imaging technologies, dedicated to becoming a leading technology R&D, manufacturing, sales and leasing services provider of invisible light detection equipment. With long-standing expertise in X-ray technology, AI, IoT, etc., Rayin keep enabling technology and creating value for smart security inspection and intelligent industrial manufacturing and other fields.

5.7.1 Smart Security Inspection: Capacity Enhancement and Business Integration

Combining AI, multi-dimensional perception, AR reality and other technologies, Rayin has released the Ji Xian 2.0 series of security inspection products to cover all aspects of intelligent security inspection including intelligent identification, person-luggage association, AR reality command and dispatch, and data application. These products serve as a model of intelligent, three-dimensional security inspection that integrate efficient detection, information fusion, data analysis, real-time supervision and remote command, providing point-to-point and end-to-end security inspection solutions for different scenarios such as rail transit, logistics, hospitals, schools, checkpoints, and corporate loss prevention.



1) Smart security inspection in rail transit

Rayin’s smart security inspection solution for rail transit, represented by 6550/100100 series smart security inspection products, provides centralized image interpretation, accurate person-luggage association, off-duty detection and other functions to reduce security labor costs, regulate the behavior of security inspectors, and improve the detection efficiency of prohibited goods. This smart solution allows comprehensive information integration, process traceability and resource deployment for the security inspection business while ensuring the efficiency of passenger traffic. These products facilitate a quick transformation of rail transit security inspection towards a digital future.

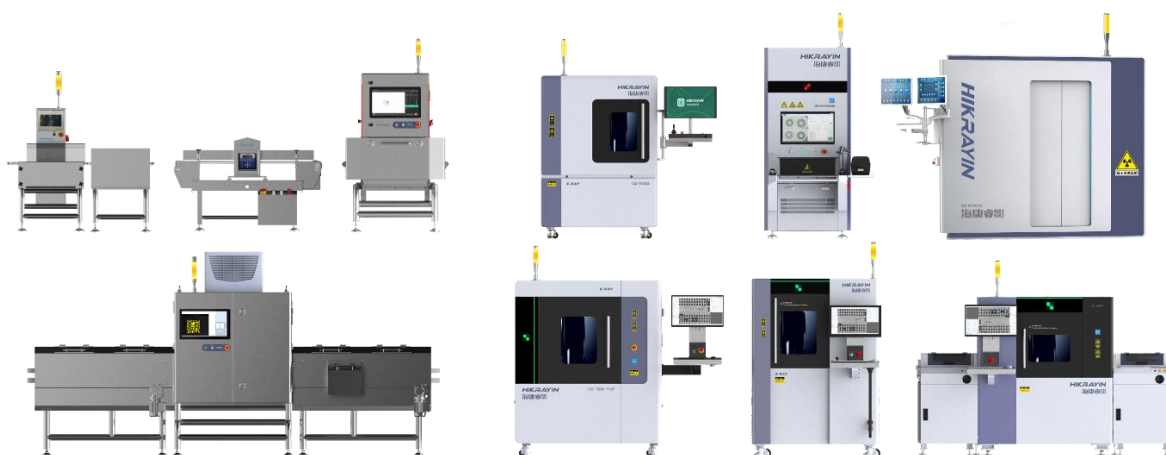
2) Smart security inspection in logistics

Rayin’s smart logistics security solution, represented by high-speed, intelligent 140100 series of X-ray security inspection machines, provides image-code association, intelligent image interpretation, centralized image

interpretation, automatic rejection and other functions in logistic scenarios by utilizing industrial scanning cameras, AI, multi-dimensional perception and other technologies. This smart solution aims to better detect, address and trace hazards in the package delivery process, forming a comprehensive service chain and improving the efficiency of package inspection.

5.7.2 Industrial Inspection: Anything Visible Can Be Inspected in the AI Era

Combining X-ray imaging with AI analysis algorithms, Rayin provides scenario-based industrial detection products and solutions that intelligently detect foreign objects and defects in the industrial production process, empowering customers through intelligent industrial applications.



Rayin industrial detection products are supported by dedicated high-performance processor and the next-generation Raytina image enhancement engine for clearer, smarter and more efficient detection. Now it has been widely used in product defect deflection and electronic left-over materials counting in the scope of electronic materials detection, in foreign object detection for packaging as well as flaw detection in the field of food and drug inspection, and in internal flaw detection of castings in the area of industrial flaw detection, improving yield and reducing production as well as management costs for enterprises.

5.8 Innovative Business - HikImaging

HikImaging, rooted in the medical technology industry, is committed to the research and application of multi-dimensional perception, intelligent analysis, video/audio transmission and display control and other related

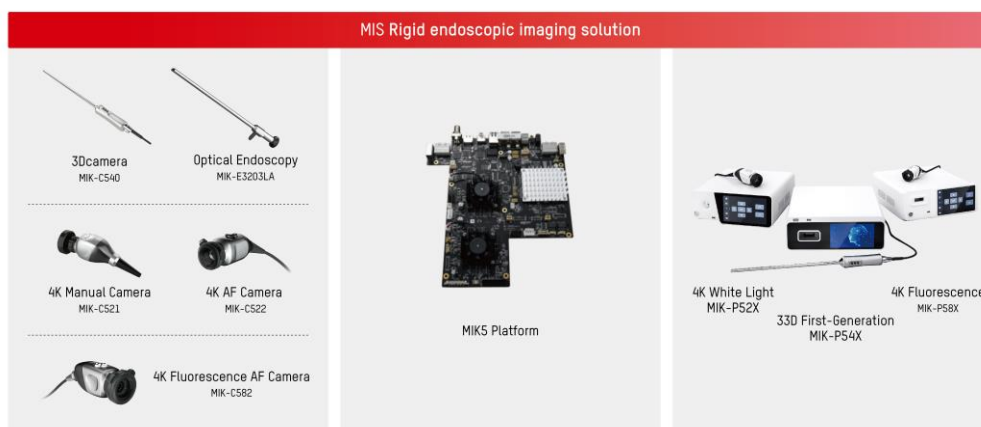
technologies in medical scenarios. The company provides products, solutions and related services for customers in the medical device industry, working with customers to promote the digital and intelligent transformation of the operating and the clinic scenarios.

5.8.1 Rigid Endoscopic Imaging Solution for MIS (Minimally Invasive Surgery)

According to Ipsos Medtech’s report "Analysis of the Overall Development Trend of National Surgery Volume from 2015 to 2020", the compound growth rate of MIS penetration rate per million population in China increased by 28.5% from 2015 to 2019. As the characteristics of fast recovery and small trauma, MIS is adopted by more and more doctors and patients. In the future, the proportion of MIS will become one of the indicators for hospital assessment, which will further promote the development of MIS and its technological upgrading.

In 2022, HikImaging launched the MIK5 endoscopic image processing hardware platform, as well as the 4K fluorescence solution, the first-generation 3D solution, and the 4K white light solution.

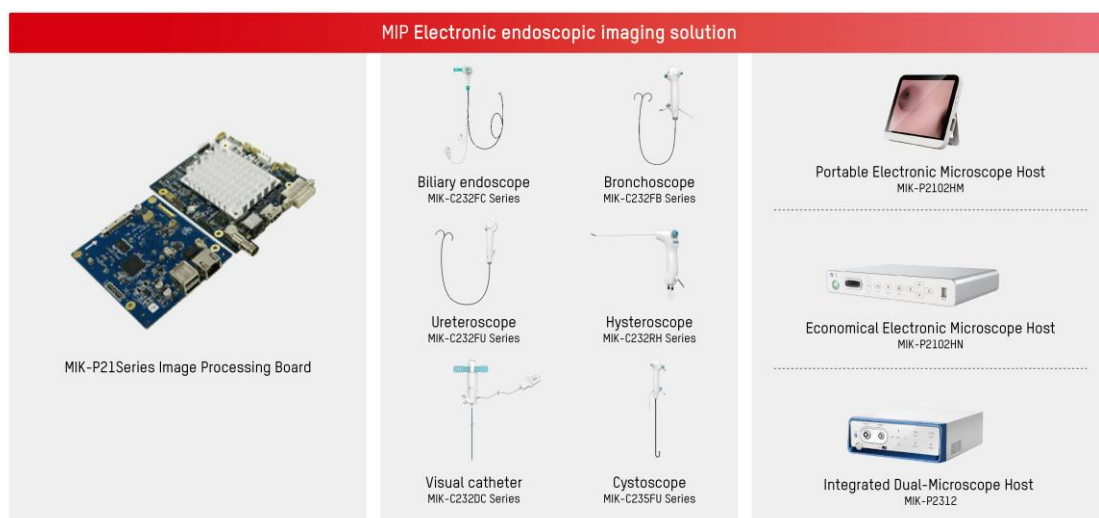
HikImaging’s 4K fluorescence solution is the first solution in China that integrates 4K, fluorescence and auto-focus technologies. Its unique multi-color gradient fluorography can meet the needs of a variety of complex surgical applications, and the auto-focus function enables the endoscope to automatically focus on objects instead of manual focus, greatly improving focus accuracy and ease of use. The first-generation 3D solution is the first parallax-adjustable 3D solution in China, providing users with personalized parallax settings and improving 3D visual comfort. The 4K white light series is equipped with the new MIK5 image processing module, offering excellent imaging quality. In 2022, HikImaging saw an increase in the number of bids won from hospitals for its 4K white light and fluorescence solutions, improving the core technology of domestic high-end medical equipment.



5.8.2 Electronic Endoscopic Imaging Solution for MIP (Minimally Invasive Procedure)

HikImaging offers a wide range of electronic endoscopic imaging solutions and the core products include the all-in-one dual-lens image processor, the portable image processor and electronic endoscopes. Its electronic endoscopes include four-way biliary endoscopes for gastrointestinal endoscopy, ureteroscopes and cystoscopes for urology, bronchoscopes for respiratory medicine and hysteroscopes for gynecology.

The market demand for disposable electronic microscopes is huge. As the domestic and international general safety regulations and standards continue to tighten, there are higher requirements for safety specifications and electromagnetic compatibility, as well as for image processors and key components of electronic microscopes. HikImaging provides electronic microscope solutions that comply with safety (GB9706.1), electromagnetic compatibility (YY0505) and electronic microscope (YY/T1587) standards, helping customers to pass registration and verification at one time.

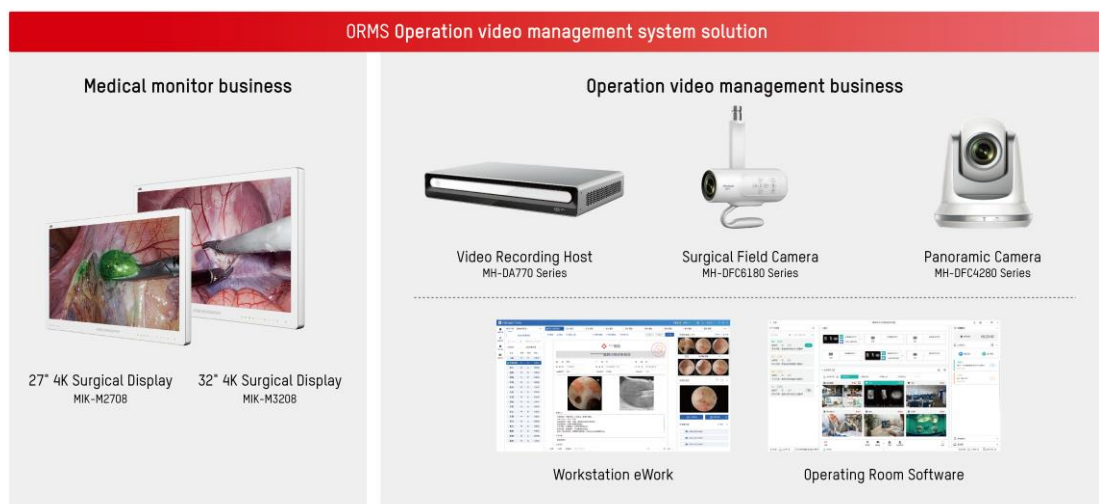


5.8.3 ORMS (Operation Video Management System) Solution

HikImaging combines the ORMS product line with the MIS and MIP lines to provide customers with an overall solution for operating room scenarios. The ORMS solution includes medical displays and operating room video management products.

In 2022, HikImaging launched 27-inch and 32-inch surgical displays, which conform to the medical standard IEC60601. The characteristics of strong anti-interference and low latency significantly improve the display stability of endoscopic camera systems. The company also launched endoscopy workstation software to further improve the overall solution for operating room scenarios.

In the past few years, the demand for teleconsultation and remote learning has increased. HikImaging has launched the next-generation intelligent 5G full-link 4K video management system, including video recording hosts, surgical field cameras, panoramic cameras and platform software. The system applies the mainstream real-time audio and video transmission technology framework to the telemedicine field. Combining an optimized underlying transmission engine with the company’s advantages in coding and decoding technologies, the system supports smooth multi-party interaction of 4K endoscopic ultra-clear images in a cross-network environment and improve user experience. Additionally, the system supports private hybrid cloud deployments and local storage of business data to guarantee the safety of medical data.



The development of the medical device industry is an issue that concerns not only the industry, but people’s well-being. HikImaging continues to overcome technical difficulties, helping medical device manufacturers to improve the competitiveness of their products, and driving partners to move towards the middle- and high-end of the value chain. The company also endeavors to promote the expansion and allocation of high-quality medical resources in lower-tier markets, making high-level medical services accessible to the general public.

The demand for medical devices is expected to grow in China due to policy support, increasing aging population and a gradual increase in the number of patients with chronic diseases. HikImaging will continue to invest in R&D in multi-dimensional perception, intelligent analysis, video/audio transmission-display-control, and other technical fields while accelerating product innovation and actively expanding the practical application of new technologies and processes in different industries to provide industry users and customers with a variety of high-performance products and solutions. In addition, the company will continuously improve the quality system, service system and supply chain system, increase customer satisfaction, and cooperate with industry ecosystem partners to

drive advances in medical technology and play a role in the construction of "Healthy China".

II. Analysis of Core Competitiveness

Demands in the AIoT industry has always been fragmented and scenario based. How to meet personalized demands and create scenario-based solutions while maximizing business economies of scale is a challenge that faced by all industry participants. Hikvision has established and consistently improving the operating mechanism and organizational systems to adapt to the fragmented demands, and has continuously promoted the refinement and optimization of baseline products and standardized businesses while meeting personalized demands. Under the strategic traction of AIoT, Hikvision explores market opportunities with technologies, products and solutions, helping people establish perception, connection, computing and applications between people and things as well as between things. We firmly believe that AIoT breeds broad market opportunities, and we expend great effort pursuing science and technology for good, in a hope to enable everyone to enjoy a brighter future.

1. Continues to invest in R&D to build a comprehensive technology and product mix

Hikvision has gradually expanded perception technology from visible light to infrared, ultraviolet, X-ray, millimeter wave and other fields, explored sound wave, ultrasonic and other fields, continuously developed perception methods such as temperature, humidity, pressure, magnetism, and further expanded upon the fusion of multi-dimensional perception applications.

During the reporting period, Hikvision's investment in R&D accounted for over 11.80% of its total revenue, while the number of R&D and technical service personnel continued its stable growth, accounting for nearly 50% of Hikvision's total workforce. The Company will continue to maintain high intensity of technical investment, consolidate the foundation of AIoT technology, enrich the varieties of AIoT devices, concentrate on exploring the application opportunities of AIoT and consolidate the market position in the field of AIoT.

2. Continues to gain insight into customer needs and improve of domestic and foreign marketing network

In China, the Company facilitated by its provincial-level and city-level business centers, forming a hierarchical city-based marketing system prioritized by economic development. Overseas, the Company formed a marketing network architecture of headquarters-regions-countries. The headquarters is tasked with building business support capabilities, while regions establish operations and service systems, and countries adapt to local conditions to deeply cultivate specific local markets. Hikvision has long-term and consistent investment in the construction of marketing

system, insisting on building localized talent teams, attaching great importance to the accumulation of partners, and forming a sound marketing network for business connection, information interaction and resource optimization.

Hikvision has expanded industry applications through dividing business into three business groups: public business group (PBG), enterprise business group (EBG) and SME business group (SMBG). The overseas distribution business and industry business are complementary to one another, so Hikvision has implemented the strategy of "One policy for one country". Through the organic synergy of industry-driven region, region-driven industry, marketing-driven R&D, and R&D-driven marketing helps the Company gain insight into user demands, enabling both marketing and technical R&D work to be performed in a targeted manner, thereby steadily driving the Company's business forward..

3. Continues to build flexible manufacturing system and ensure supply chain stability

Hikvision sells nearly 30,000 different models of hardware equipment and often encounter scattered orders, frequent changes in demands, and high requirements for the completeness of supply chain. Therefore, the Company continues to build flexible and efficient manufacturing system, improving its capacity for lean production and intelligent manufacturing to meet the large scale demands of multiple small-lot production. Hikvision operates domestic manufacturing bases in Hangzhou Tonglu, Chongqing and other places, orderly promotes the construction and expansion for new manufacturing bases, and supports the global product supply through local factories in India, Brazil, and United Kingdom.

The Company has helped over a thousand supplier partners around the world to achieve rapid development, helping them quickly iterate and improve upon raw-materials, and components and parts over the long-term, which in turn has strengthened the stability of the overall industrial supply chain. In response to the supply chain uncertainly caused by sanctions, the Company has continued to maintain large stockpiles of raw materials.

4. Continues to promote the evolution of management system and improve the operating efficiency

As for business direction and goal setting, the Company has annually updated and applied the strategic planning and annual business planning based on the BLM strategic planning methodology, facilitating effective communication and alignment of each business and functional departments to ensure clear goals and division of responsibilities. In terms of internal management, focusing on revolution of management, Hikvision has implemented over 100 management reform initiatives each year to optimize resource layout and improve overall capabilities. Relying on the construction of IT system, the Company continuously optimized business processes and improved efficiency of business system. Furthermore, the Company continues to refine the digital management

capabilities in many aspects including promoting the identification and management of financial risks, building a digital quality management system, improving internal control mechanisms, pursuing the construction of compliance systems, protecting innovation achievements, and etc.

5. Continues to build people-oriented organizational climate and unite outstanding talents

Hikvision considers talents as the most important resource of enterprise competitiveness, recruiting talent from all around the world, while adhering to the employment concept of "growing together with talents". By improving the talent discovery and performance appraisal mechanism and identifying and assigning people through scientific approach, the Company has boosted the morale and creativity of employees to improve organizational capabilities. The comprehensive employee reward system has been formed, which consists of compensation and benefits, equity incentives, innovative business co-investment, and etc., further developing the distribution mechanism for employees to participate in and benefit from the Company's growth. Employees participating in equity incentives and co-investment can obtain long-term returns through their contributions to the Company's performance, coordinating the long-term development of business with the continuous employee growth.

III. Core Business Analysis

1. Overview

In 2022, the world is facing increased macro-economy volatility, complicated geopolitical layout and escalated sanctions from the US and Europe, and China is facing pressures such as decreased demands, supply shock and weak expectations, which has posed great challenges to business operations. Adhering to the business philosophy of "professionalism, honesty, and integrity", Hikvision responded to the uncertainties in a proactive and prudent manner. During the reporting period, the Company achieved a total revenue of RMB83.17 billion, representing year-over-year growth of 2.14%, and realized a net profit attributable to shareholders of the Company of RMB12.84 billion, representing year-over-year decrease of 23.59%.

(1) Sustained investment in R&D and formed a solid technical foundation

In 2022, Hikvision invested RMB9.81 billion in R&D, accounting for 11.80% of the Company's total revenue. The Company had about 28,000 R&D and technical service personnel, upholding its commitment to significant R&D investment. Guided by the strategy, the Company continues to focus on the main businesses and persistently optimizes the resource allocation based on product innovation and market opportunities.

In order to form a comprehensive and leading technology mix, the Company continues to promote the development of perception, image and optical technologies. In terms of perception technology, a full-spectrum perception technology platform including visible light, infrared, X-ray, millimeter wave and other spectral bands has been established. Through years of cultivation, the Company currently has over 30,000 product models for sale, enabling it to better meet the fragmented demands of users. Hikvision will continue to exploit the advantages of transforming technology to product and commercializing the products, and continue to develop new technologies and products to lead the development of the industry.

(2) Leveraged on resource allocation to seize business opportunities and cope with the changes in the external environment

In 2022, the changing market demand and customer expectation was due to the changes in the global pattern and the downturn of the domestic economy, which result in the deviation of the Company's resource input and output. In terms of the domestic businesses, taking problem solving as the guide, the Company leveraged on resource allocation to seize business opportunities. For overseas market, the Company implemented the "One policy for one country" strategy and continued to penetrate into the markets of different countries to enhance the operating

efficiency.

(3) Maintained safe inventory level and ensured stable supply chain

In 2022, in face of various uncertainties, the Company worked closely with partners to expand the supply of important raw material and promoted the diversification of the supply chain. Meanwhile, the Company increased the inventory level of important raw material, in order to ensure supply continuity. Hikvision continued to promote lean production management, improved the level of intelligent manufacturing, optimized delivery efficiency and ensured the steady development of business.

(4) Supported the Company's stable development by diversified business layout

In 2022, the three domestic business groups were under pressure due to the fluctuation of macro-economy, but the Company expects that there will still be great growth in the future because the digital transformation promoting high quality development is the doubtless long-term trend. Even though the overseas market was faced by inflation, geopolitical risk and other issues, the Company's overseas market share continued to increase based on the strong supply capacity and solid business development. The innovative businesses maintained a fast growth.

The diversified business layout is the guarantee of the Company's stable growth. Different businesses form good synergy and interaction, which together help the Company to achieve stability and long-term sustainable development.

(5) Optimized the marketing system and improved the operational efficiency

In 2022, the Company continued to optimize the marketing network, bringing itself closer to customers and users. Hikvision has 32 provincial business centers and more than 300 city branches and offices nationwide, as well as 72 overseas branches to provide products and services to more than 150 countries and regions around the world.

The Company continues to advance process change management, enhance operational efficiency and improve organizational management capabilities, ensuring that it evolves and keeps up with the times to support the Company's long-term business development.

2. Revenue /cost of sales and services

1) Revenue structure

Unit: RMB

	2022		2021		YoY Change (%)
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Revenue	83,166,321,681.14	100.00%	81,420,053,539.27	100.00%	2.14%
Classified by industry					
AIoT products and services	83,166,321,681.14	100.00%	81,420,053,539.27	100.00%	2.14%
Classified by product					
Products and services for main business ¹⁰	65,873,570,961.21	79.21%	65,145,683,074.74	80.01%	1.12%
Constructions for main business	2,222,876,059.14	2.67%	4,003,746,727.88	4.92%	-44.48%
Subtotal	68,096,447,020.35	81.88%	69,149,429,802.62	84.93%	-1.52%
Smart home business	4,077,290,933.03	4.90%	3,948,427,896.29	4.85%	3.26%
Robotic business	3,916,176,952.59	4.71%	2,761,636,666.33	3.39%	41.81%
Thermal imaging business	2,790,033,744.03	3.35%	2,214,127,005.65	2.72%	26.01%
Auto electronics business	1,905,289,927.53	2.29%	1,431,895,295.48	1.76%	33.06%
Storage business	1,616,267,518.08	1.94%	1,384,585,038.78	1.70%	16.73%
Other innovative businesses ¹¹	764,815,585.53	0.92%	529,951,834.12	0.65%	44.32%
Subtotal	15,069,874,660.79	18.12%	12,270,623,736.65	15.07%	22.81%
Classified by region					
Domestic	56,890,890,769.45	68.41%	59,434,989,705.17	73.00%	-4.28%
Overseas	26,275,430,911.69	31.59%	21,985,063,834.10	27.00%	19.51%

Note: The data listed in the subtotals may differ slightly from the aggregated results of the relevant individual data due to rounding.

Revenue structure¹²

¹⁰ Main business refers to the business parts other than the innovative businesses.

¹¹ Other innovative businesses include the products and services of the innovative business subsidiaries, such as HikFire, Rayin and HikImaging. Same below.

¹² The operating income from domestic main business (including three major business groups in domestic and other products and services for main business) and overseas main business only include Hikvision's main

Unit: RMB 100mn

		2022	2021	YoY Change (%)	2020
Domestic main business	PBG	161.35	191.61	-15.79%	159.87
	EBG	165.05	166.29	-0.75%	147.24
	SMBG	124.97	134.90	-7.36%	92.09
	Other products and services for main business	9.27	9.43	-1.70%	9.71
Overseas main business	Products and services for main business	220.32	189.26	16.41%	164.44
Innovative businesses ¹³		150.70	122.71	22.81%	61.68
Total		831.66	814.20	2.14%	635.03

2) Industries, products or regions accounting for more than 10% of the Company's revenue or operating profit

√ Applicable □ Inapplicable

Unit: RMB

	Revenue	Cost of sales and services	Gross margin	YoY Change (%) of revenue	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Classified by industry						
AIoT products and services	83,166,321,681.14	47,996,254,466.32	42.29%	2.14%	5.88%	-2.04%
Classified by product						
Products and services for main business	65,873,570,961.21	37,063,587,434.45	43.74%	1.12%	6.07%	-2.62%
Constructions for main business	2,222,876,059.14	1,672,876,250.28	24.74%	-44.48%	-45.76%	1.78%
Innovative businesses	15,069,874,660.79	9,259,790,781.59	38.55%	22.81%	26.83%	-1.95%
Subtotal	83,166,321,681.14	47,996,254,466.32	42.29%	2.14%	5.88%	-2.04%
Classified by region						
Domestic	56,890,890,769.45	33,093,858,433.32	41.83%	-4.28%	0.27%	-2.64%
Overseas	26,275,430,911.69	14,902,396,033.00	43.28%	19.51%	20.93%	-0.67%

When the statistical caliber of the Company's main business data is adjusted during the reporting period, the Company's main business data would be adjusted according to the end of the reporting period in the most recent

business's products and services, excluding revenue from innovative businesses.

¹³ Innovative businesses' revenue includes its domestic and overseas revenue

period.

Applicable Inapplicable

3) If revenue from physical products sales greater than revenue from providing services

Yes No

Industry	Item	Unit	2022	2021	YoY Change (%)
AIoT products and services	Sales volume	Per unit	202,935,192	194,410,923	4.38%
	Output volume	Per unit	207,698,031	207,744,025	-0.02%

Explanation on why the related data varied by more than 30% on a YoY basis

Applicable Inapplicable

4) Fulfillment of signed significant sales contracts and procurement contracts by the reporting period

Applicable Inapplicable

5) Cost of sales and services structure

Classified by industry

Unit: RMB

Industry	Item	2022		2021		YoY Change (%)
		Amount	Proportion to cost of sales and services	Amount	Proportion to cost of sales and services	
AIoT products and services	Cost of sales and services	47,996,254,466.32	100.00%	45,329,400,332.65	100.00%	5.88%

Classified by product

Unit: RMB

Product	Item	2022		2021		YoY Change (%)
		Amount	Proportion to cost of sales and services	Amount	Proportion to cost of sales and services	
Products and services for main business	Cost of sales and services	37,063,587,434.45	77.22%	34,944,137,550.04	77.09%	6.07%
Constructions for main business	Cost of sales and services	1,672,876,250.28	3.49%	3,084,364,818.86	6.80%	-45.76%
Innovative businesses	Cost of sales and services	9,259,790,781.59	19.29%	7,300,897,963.75	16.11%	26.83%
Subtotal	Cost of sales and services	47,996,254,466.32	100.00%	45,329,400,332.65	100.00%	5.88%

6) Any change in consolidation scope during the reporting period

Yes No

During the reporting period, the Company established two domestic subsidiaries and four overseas subsidiaries, acquired one subsidiary, and liquidated and cancelled three subsidiaries. All of this result in changes in the scope of its consolidation scope. For details, please refer to changes in the consolidation scope in Note (VI) to the financial statements.

7) Significant change or adjustment of the Company’s business, products or services during the reporting period:

Applicable Inapplicable

8) Major customers and suppliers:

Sales to major customers of the Company

Sales to top five customers (RMB)	2,024,692,757.25
Total sales to top five customers as a percentage of the total sales for the year (%)	2.43%
Total sales to the related parties in top five customers as a percentage of the total sales for the year (%)	0.00%

Information on top five customers

No.	Name of Customer	Sales Amount (RMB)	Percentage of total sales for the year
1	First	814,903,094.87	0.98%
2	Second	333,144,012.47	0.40%
3	Third	310,497,692.61	0.37%
4	Fourth	300,071,290.68	0.36%
5	Fifth	266,076,666.62	0.32%
Total	--	2,024,692,757.25	2.43%

Other information of major customers

Applicable Inapplicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	8,294,123,264.58
Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	17.58%
Total purchases from the related parties in the top five suppliers as a percentage of the total purchases for the year (%)	6.54%

Information on top five suppliers of the Company

No.	Supplier Name	Purchase Amount (RMB)	Percentage of total purchase for the year
1	First	2,769,664,258.70	5.87%
2	Second	1,719,471,215.65	3.65%

No.	Supplier Name	Purchase Amount (RMB)	Percentage of total purchase for the year
3	Third	1,364,276,241.23	2.89%
4	Fourth	1,316,427,377.50	2.79%
5	Fifth	1,124,284,171.50	2.38%
Total	--	8,294,123,264.58	17.58%

Other information of major suppliers

Applicable Inapplicable

3. Expenses

Unit: RMB

	2022	2021	YoY Change (%)	Note of significant change
Selling expenses	9,773,457,336.23	8,586,443,668.02	13.82%	Continue to increase investment in domestic and overseas marketing networks
Administrative expenses	2,642,113,372.00	2,132,250,463.96	23.91%	Due to the expansion of the Company's business scale and increased number of employees
R&D expenses	9,814,444,260.55	8,251,645,101.39	18.94%	Continue to increase R&D investment
Financial expenses	-990,401,533.32	-133,343,257.84	-642.75%	Affected by foreign exchange rate fluctuations, foreign exchange income increased

4. R&D Investment

Applicable Inapplicable

R&D personnel of the Company

	2022	2021	Change Percentage
Number of R&D staff (ppl)	27,951	25,352	10.25%
R&D staff as percentage of Total headcount	47.96%	48.06%	-0.10%
Education structure of R&D staff	-	-	-
Bachelor degree	17,376	16,305	6.57%
Master's degree	8,528	7,159	19.12%
Master's degree or above	162	129	25.58%
others	1,885	1,759	7.16%
Age composition of R&D staff	-	-	-
Under 30 years old	16,442	15,388	6.85%

	2022	2021	Change Percentage
30-40 years old	10,844	9,425	15.06%
Over 40 years old	665	539	23.38%

R&D investment of the Company

	2022	2021	Change Percentage
Amount of R&D expenses (RMB)	9,814,444,260.55	8,251,645,101.39	18.94%
R&D expenses as a percentage of revenue	11.80%	10.13%	1.67%
Capitalized R&D expenses (RMB)	0.00	0.00	0.00%
Capitalized R&D expenses as a percentage of R&D expenses	0.00%	0.00%	0.00%

Reason and effect of significant change in the composition of the Company's R&D personnel

Applicable Inapplicable

Reason of significant change of total R&D expenses as a percentage of revenue as compared to last year

Applicable Inapplicable

Reason and explanation of its reasonableness of significant change of the capitalized R&D expenses

Applicable Inapplicable

5. Cash Flow

Unit: RMB

Item	2022	2021	YoY Change (%)
Subtotal of cash inflows from operating activities	92,669,076,379.69	90,984,859,750.26	1.85%
Subtotal of cash outflows from operating activities	82,504,940,997.31	78,276,335,063.27	5.40%
Net cash flows from operating activities	10,164,135,382.38	12,708,524,686.99	-20.02%
Subtotal of cash inflows from investing activities	7,422,373,113.52	6,370,051,168.33	16.52%
Subtotal of cash outflows from investing activities	11,147,754,175.76	9,526,380,351.62	17.02%
Net cash flows from investing activities	-3,725,381,062.24	-3,156,329,183.29	-18.03%
Subtotal of cash inflows from financing activities	14,375,530,041.46	6,123,487,832.52	134.76%
Subtotal of cash outflows from financing activities	15,831,448,254.21	15,914,985,474.12	-0.52%
Net cash flows from financing activities	-1,455,918,212.75	-9,791,497,641.60	85.13%
Net increase in cash and cash equivalents	5,211,446,085.37	-420,893,449.11	1338.19%

Explanation of why the related data varied significantly on a YoY basis

Applicable Inapplicable

The main reason for the change in net cash flow from operating activities was the increased expenditure on payroll during the reporting period; the main reason for the change in net cash flow from investing activities was the purchase of long-term assets during the reporting period; the main reason for the change in net cash flow from financing activities was mainly due to the issuance of restricted shares and increase in capital absorption from the listing of the subsidiary during the reporting period.

Explanation of reasons leading to the material difference between cash flow from operating activities during the reporting period and net profit for the year

Applicable Inapplicable

IV. Non-core Business Analysis

Applicable Inapplicable

V. Analysis of Assets and Liabilities

1. Material changes of asset items

Unit: RMB

	December 31, 2022		December 31, 2021		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and bank balances	40,011,863,999.94	33.56%	34,721,870,931.36	33.43%	0.13%	No significant change
Accounts receivable	29,906,294,410.40	25.08%	26,174,773,100.42	25.20%	-0.12%	No significant change
Contract assets	2,118,223,370.98	1.78%	1,411,372,624.91	1.36%	0.42%	Operating income of constructions increased
Inventories	18,998,222,978.81	15.93%	17,974,112,407.60	17.31%	-1.38%	No significant change
Long-term equity investment	1,252,033,513.41	1.05%	982,165,546.45	0.95%	0.10%	Gains from investment in joint ventures and associated enterprises increased, as well as other changes in equity increased
Fixed assets	8,539,842,630.68	7.16%	6,695,590,671.27	6.45%	0.71%	Projects of Security Industrial Base (Tonglu) - Phase II Continued Construction and Innovation Industry Park

	December 31, 2022		December 31, 2021		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
						transferred to fixed assets
Construction in process	3,770,803,300.80	3.16%	2,323,336,098.68	2.24%	0.92%	Increase in construction investments on Science and Technology Parks in various locations
Right-of-use assets	574,478,326.31	0.48%	566,393,672.75	0.55%	-0.07%	No significant change
Lease liabilities	277,255,924.83	0.23%	317,951,879.21	0.31%	-0.08%	No significant change
Short-term borrowings	3,343,071,972.89	2.80%	4,074,962,469.97	3.92%	-1.12%	No significant change
Contract liabilities	2,644,496,508.36	2.22%	2,580,894,226.59	2.48%	-0.26%	No significant change
Long-term borrowings	7,522,315,341.60	6.31%	3,284,371,642.52	3.16%	3.15%	Increase in demands for long-term working capital
Non-current liabilities due within one year	868,197,272.46	0.73%	596,915,360.58	0.57%	0.16%	

High proportion of overseas assets

Applicable Inapplicable

2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Difference on translation of financial statements dominated in foreign currency	Provision for decline in value during the current period	Purchased amount during the period	Sales during the period	Other changes	Closing balance
Financial assets								
1. Derivative financial assets	34,320,010.83	-21,549,304.93	36,732.46					12,807,438.36
2. Other non-current financial assets	438,724,172.22	-69,793,177.28			83,962,245.00	29,000,000.00		423,893,239.94
3. Receivables for financing	1,316,035,122.06						168,183,136.68	1,484,218,258.74
Subtotal of financial assets	1,789,079,305.11	-91,342,482.21	36,732.46		83,962,245.00	29,000,000.00	168,183,136.68	1,920,918,937.04
Financial liabilities	4,062,317.57	-64,225,038.68	12,329.32					68,299,685.57

Whether there were any material changes on the measurement attributes of major assets of the Company during the reporting period:

□ Yes √ No

3. Assets right restrictions as of the end of the reporting period

Unit: RMB

Item	Closing book value (RMB)	Reasons for being restricted
Cash and bank balances	196,473,485.37	Various cash deposits and other restricted funds
Notes receivable	1,241,880,022.19	Endorsed to suppliers and discounted to banks
Receivables for financing	10,312.23	Pledge for issuance of bank's acceptance bills
Accounts receivable	344,585,345.01	Pledge for long-term debts
Contract assets	120,072,855.46	Pledge for long-term debts
Fixed assets	81,627,645.88	Fixed assets leased out under operating leases
Intangible assets	39,314,886.51	Pledge and mortgage for long-term debts
Other non-current assets	1,607,546,382.61	Pledge for long-term debts
Total	3,631,510,935.26	

VI. Investments

1. Overview

Applicable Inapplicable

Investment in 2022 (RMB)	Investment in 2021 (RMB)	YoY (%)
4,686,051,570.44	2,534,882,042.80	84.86%

2. Significant equity investment during the current reporting period

Applicable Inapplicable

3. Significant non-equity investment during the current reporting period

√ Applicable □ Inapplicable

Unit: RMB

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Chengdu Science and Technology Park Project	Self-built	Yes	AIoT products and services	528,392,746.55	1,424,680,236.64	Self-financing	72.36%	None	September 23, 2017	<i>Announcement on Investment and Construction of Chengdu Science and Technology Park Project in Chengdu (No. 2017-033)</i>
Hangzhou Innovation Industry Park	Self-built	Yes	AIoT products and services	399,241,430.12	792,552,212.28	Specific Loan	100.00%	None	September 23, 2017	<i>Announcement on Investment and Construction of Hangzhou Innovation Industry Park Project in Hangzhou (No. 2017-034)</i>
Security Industrial Base (Tonglu) - Phase II Continued Construction Project	Self-built	Yes	AIoT products and services	195,023,827.62	585,726,069.36	Self-financing	100.00%	None	October 16, 2014	<i>Announcement on Investment and establishment of a wholly-owned subsidiary in Tonglu and new construction of Hikvision Security Industrial Base (Tonglu) Project (2014-044)</i>

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Xi'an Science and Technology Park Project	Self-built	Yes	AIoT products and services	329,131,701.34	510,141,028.55	Self-financing	22.39%	None	September 23, 2017	<i>Announcement on Investment and Construction of Xi'an Science and Technology Park in Xi'an (2017-031)</i>
Wuhan Intelligence Industry Park Project	Self-built	Yes	AIoT products and services	340,890,130.67	362,495,271.16	Self-financing	15.19%	None	September 23, 2017	<i>Announcement on Investment and Construction of Wuhan Intelligence Industry Park in Wuhan (2017-036)</i>
EZVIZ Smart Home Product Industrial Base Project (Infrastructure Part)	Self-built	Yes	AIoT products and services	186,803,117.49	282,125,289.82	Self-financing/ Specific Loan	37.47%	None	-	-
Security Industrial Base (Tonglu) Phase III	Self-built	Yes	AIoT products and services	207,632,208.04	256,401,113.99	Self-financing	33.30%	None	-	-
Shijiazhuang Science and Technology Park Project	Self-built	Yes	AIoT products and services	140,802,995.70	240,987,635.91	Self-financing	26.87%	None	March 22, 2018	<i>Announcement on Investment and Construction of Shijiazhuang Science and Technology Park in Shijiazhuang (2018-016)</i>

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Hefei Science and Technology Park Project	Self-built	Yes	AIoT products and services	77,569,482.71	96,324,257.68	Self-financing	17.80%	None	-	-
Zhengzhou Science and Technology Park Project	Self-built	Yes	AIoT products and services	51,865,323.17	93,894,775.99	Self-financing	19.36%	None	-	-
Chongqing Science and Technology Park Project-Phase III	Self-built	Yes	AIoT products and services	88,299,070.73	88,837,517.21	Self-financing	18.51%	None	-	-
EZVIZ Intelligent Manufacturing Chongqing Base Project(Infrastructure Part)	Self-built	Yes	AIoT products and services	72,173,018.20	72,173,018.20	Self-financing	6.17%	None	August 11, 2021	<i>Announcement on Investment and Construction of EZVIZ Intelligent Manufacturing Chongqing Base by the holding subsidiary (2021-052)</i>
Nanjing Science and Technology Park Project	Self-built	Yes	AIoT products and	58,233,792.70	59,330,672.30	Self-financing	10.21%	None	-	-

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
			services							
Nanchang Science and Technology Park Project	Self-built	Yes	AIoT products and services	49,487,530.31	55,299,275.67	Self-financing	11.26%	None	-	-
Total	--	--	--	2,725,546,375.35	4,920,968,374.76	--	--	--	--	--

Note: 1. In accordance with the Company's *Authorization Management System*, EZVIZ Smart Home Product Industrial Base Project, Security Industrial Base (Tonglu) Phase III project, Hefei Science and Technology Park Project, Zhengzhou Science and Technology Park Project, Nanjing Science and Technology Park Project, and Nanchang Science and Technology Park Project were approved by the Chairman of the Board of Directors. Chongqing Science and Technology Park Project-Phase III was approved by the Strategy Committee of the Board of Directors.

2. In accordance with the Company's *Authorization Management System*, new investments on fixed assets of Chengdu Science and Technology Park Project, Xi'an Science and Technology Park Project, and Shijiazhuang Science and Technology Park Project were approved by the Strategy Committee of the Board of Directors. New investments on fixed assets of Security Industrial Base (Tonglu) Phase III was approved by the Chairman of the Board of Directors.

4. Financial asset investment

(1) Securities Investments

Applicable Inapplicable

There no such case in the reporting period.

(2) Derivatives Investments

 ✓ Applicable Inapplicable

1) Derivative investments for hedging purposes during the reporting period

 ✓ Applicable Inapplicable

Unit: 0,000 RMB

Type of derivatives investment	Initial investment amount	Gain or loss on changes in fair value during the reporting period	Changes in cumulative fair value included in equity	Purchased amount during the reporting period	Sold amount during the reporting period	Closing amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period
Foreign exchange contract	205,031.34	-8,577.43	-	977,421.97	-	235,153.63	3.44%
Total	205,031.34	-8,577.43	-	977,421.97	-	235,153.63	3.44%
Accounting policies and specific accounting principles for hedging business during the reporting period and explanations on whether there have been significant changes from the previous reporting period	In accordance with the provisions of Accounting Standards for Business Enterprises (hereinafter referred to as "ASBE") No. 22 - Recognition and Measurement of Financial Instruments, ASBE No. 24 - Hedge Accounting, ASBE No. 37 - Presentation of Financial Instruments and other relevant regulations and guides, the Company correspondingly conducted accounting and reporting for foreign exchange derivatives business carried out. The Company conducted initial and subsequent measurements on contracts of foreign exchange derivatives by held-for-trading financial assets/ held-for-trading financial liabilities, and the fair value for held-for-trading financial assets and held-for-trading financial liabilities is determined by financial institutions based on trading data of open market. There was no significant changes from the previous reporting period.						
Explanations on actual gain or loss during the reporting period	There was a total of RMB55.19 million actual gains during the reporting period.						
Explanations on the effect of hedging business	The Company's purpose was to avoid and prevent risks of exchange rate or interest rate fluctuations and prohibited any speculative actions, further improving the Company's ability to cope with risks of foreign exchange fluctuations, better avoiding and preventing risks of foreign exchange rate and interest rate fluctuations, and enhancing its financial stability.						
Capital source of derivatives investment	The Company's own fund.						
Risk analysis and control measures (including but not	For details of the risk analysis and control measures, please refer to the <i>Announcement on Conducting Foreign Exchange Hedging</i>						

Type of derivatives investment	Initial investment amount	Gain or loss on changes in fair value during the reporting period	Changes in cumulative fair value included in equity	Purchased amount during the reporting period	Sold amount during the reporting period	Closing amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period
limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period			<i>Transactions in 2022</i> (NO. 2022-023) disclosed by the Company on April 16, 2022.				
Change of market price or fair value of invested derivatives during the reporting period; specific methods, related assumptions and parameter setting of the derivatives' fair value analysis should be disclosed			The Company carried out recognition and measurement in accordance with the <i>Accounting Standards for Business Enterprises Article 22 - Recognition and Measurement of Financial Instruments</i> , Chapter VII "Determination of Fair Value". During the reporting period, a total of RMB85.77 million of losses from changes in fair value of derivatives were recognized, and the fair value is determined according to the exchange rate and interest rate provided by banks and other pricing service institutions, measured and recognized on a monthly basis.				
Prosecution (if applicable)			None				
Announcement date for approvals of derivatives investment from the Board of Directors (if any)			April 16, 2022				
Announcement date for approvals of derivatives investment from the general meeting of shareholders (if any)			Inapplicable				
Specific opinions on the Company's derivatives investments and risk control from independent directors			The relevant approval procedures for the Company's foreign exchange hedging business complies with the relevant national laws and regulations and the relevant provisions of the <i>Articles of Association</i> . The Company has established a sound process for the organization, business operation and approval for conducting foreign exchange hedging business, as well as the <i>Foreign Exchange Hedging Management System</i> . Under the premise of ensuring normal production and operation, the Company conducts foreign exchange hedging business, which enables the Company to avoid and prevent sharp exchange rate fluctuations and its adverse effects on the Company's operations, and contributes to controlling foreign exchange risks. There is no damage to the interests of the Company nor of its shareholders.				

2) Derivative investments for speculative purposes during the reporting period

 Applicable Inapplicable

There is no derivative investments for speculative purposes during the reporting period.

5. Use of raised funds

Applicable Inapplicable

During the reporting period, there was no use of raised fund.

The details of the use of funds raised by EZVIZ Network, the Company's holding subsidiary, was disclosed on April 15, 2023 in *Annual Report of Hangzhou EZVIZ Network Co., Ltd* Section VI (14) - Progress of the Use of Funds Raised on the website of Shanghai Stock Exchange (www.sse.com.cn).

VII. Disposal of Significant Assets and Equity**1. Disposal of significant assets:**

Applicable Inapplicable

There is no disposal of significant asset for the Company during the current reporting period.

2. Sale of significant equity:

Applicable Inapplicable

VIII. Analysis of Major Subsidiaries and Holding Companies

Information about obtaining and disposal of subsidiaries during the reporting period

Applicable Inapplicable

Company name	Equity acquisition and disposal method during the reporting period	Impact on overall production results
Zhejiang Zhiyuan Fire Safety Engineering Ltd.	Transfer of equity in cash	Business development
Shijiazhuang Sensortech, Technology Ltd.	Cash contribution	Business development
Hikvision Adriatic doo Beograd	Cash contribution	Expand overseas sales channels
Hikvision Technology Pte. Ltd.	Cash contribution	Expand overseas sales channels
Hikrobot Korea Limited	Cash contribution	Expand overseas sales channels
Hangzhou Xingrong Information Technology Ltd.	Cash contribution	Business development
Microimage Europe B.V.	Cash contribution	Expand overseas sales channels
Hangzhou Haikang Zhicheng Investment Development Ltd.	Liquidation & cancellation	Reorganization
Hangzhou Haikang Ximu Intelligent Technology Ltd.	Liquidation & cancellation	Reorganization
Microwave Solutions Limited	Liquidation & cancellation	Reorganization

IX. Structural Entities Controlled by the Company

Applicable Inapplicable

X. Outlook for the Future Development of the Company

1. Development Trends for the Industry

AIoT is a fundamental capability that provides the possibility of connection and interaction between people and things as well as between things. This is happening right now, with a huge impact on the way decisions are made. Boasting a trillion RMB-level market potential, AIoT will sweep across thousands of industries with unprecedented changes and it is not limited to a certain field or a certain industry, but a fundamental technology affecting various industries.

Proceeding from industrial businesses based on large-scale scenarios, the Company has made abundant preparations in many aspects such as supporting technologies, software and hardware products, system capabilities, business organization and marketing systems that related to AIoT. We are confident that Hikvision will be able to seize the opportunities brought by the rapid development of AIoT.

2. Development strategy of the Company

In the future, Hikvision is committed to serving various industries through its cutting-edge technologies of machine perception, artificial intelligence, and big data, leading the future of AIoT: Through comprehensive machine perception technologies, we aim to help people better connect with the world around them; With a wealth of intelligent products, we strive to identify and satisfy diverse demands by delivering intelligence at your fingertips; Through innovative AIoT applications, we are dedicated to empowering every individual to enjoy a better future by building an intelligent world that is more convenient, efficient and secure.

3. Key priorities in 2023

(1) Balance and optimize the input of recourses to improve the efficiency, pursuing high quality growth.

(2) Maintain high investment in R&D to improve the capability of product innovation, consolidating and enhancing advantages in technology innovation.

(3) Facilitate cooperation between different business departments, as well as between main business and innovative business, boosting the overall operational efficiency.

(4) Promote the city-based domestic marketing strategy and "One Country, One Policy" overseas marketing strategy, focusing on core business and strengthening the regional penetration.

(5) Continue to build diversified supply system, keeping safe inventory levels and ensuring supply chain stability.

XI. Reception of Activities including Research, Communication and Interviews during the Report Period

√ Applicable □ Inapplicable

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
January 4, 2022 – January 26, 2022	Headquarters meeting room of the Company	Site research and telephone communication	Institutional investors	21 investors including China Southern Fund Management-Chen Zhuo, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From January 4, 2022 – January 26, 2022</i>
February 21,	Headquarters	Site Research	Institutional	36 investors	The Company's	CNINF, <i>Investor Relations</i>

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
2022 –March 11, 2022	meeting room of the Company	and telephone communication	investors	including Anxin Securities-Cheng Yuting, etc.	operating conditions and future prospects	<i>Activity Record: From February 21, 2022 –March 11, 2022</i>
April 16, 2022	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	688 investors including Guojin Fund Management-Li Siyuan, etc.	The Company's operations in 2021 and the first quarter of 2022	<i>CNINF, Investor Relations Activity Record on April 16, 2022</i>
August 13, 2022	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	694 investors including Changxin Fund Management-Lu Xiaofeng, etc.	The Company's operations in the first half of 2022	<i>CNINF, Investor Relations Activity Record on August 13, 2022</i>
October 29, 2022	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	489 investors including China Universal Asset Management-Zhan Jie, etc.	The Company's operations in the third quarter of 2022	<i>CNINF, Investor Relations Activity Record on October 29, 2022</i>

Section IV Corporate Governance

I. Basic Situation of Corporate Governance

Since the inception of the Company, we have been strictly following relevant laws and regulations such as the *Company Law*, *Securities Law*, *Code of Corporate Governance of Listed Companies*, *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and *Shenzhen Stock Exchange Listed Companies Self-Regulatory Supervision Guidelines No. 1 - Standardized Operation of Main Board Listed Companies* as well as the requirements of the regulations and regulatory documents of the regulatory authorities and continuously improving the "3+1" corporate governance structure comprising shareholders' meeting, the Board of Directors, the Board of Supervisors, and the management taking into consideration the actual situation of the Company, and strictly follow the principle of disclosing information in a true, accurate, complete, timely and impartial manner; we have also established and improved internal management and control system, promoted the standardized operation of the Company and ensured the legitimate rights and interests of the Company and investors. During the reporting period, the basic details of corporate governance is as follows:

1. Shareholders and shareholders' meeting

All shareholders of the Company have the equal status and full rights, especially small and medium shareholders. During the reporting period, the Company held a total of 4 general meetings of shareholders, all of which were convened by the Company's Board of Directors, and witnessed by lawyers on-site with legal opinions issued. Proposals of general meetings of shareholders were reviewed in compliance with legal procedures to ensure that all shareholders have the right to know, participate, and vote on major issues of the Company and to fully exercise their legal rights.

2. The controlling shareholders and listed company

The Company's controlling shareholders had no improper conduct and have never directly or indirectly interfered with the Company's decision-making and operating activities overriding shareholders' meeting. There are no such cases that controlling shareholders illegally occupy the Company's funds or the Company illegally provides guarantees for controlling shareholders. The Company, with its own complete business system and management capabilities, has been independent of controlling shareholders in terms of business, personnel, assets, organizations, and finances. The Company's Board of Directors, Board of Supervisors and internal institutions has been operating separately and major company decisions are made and implemented by the Company.

3. Directors and the Board of Directors

The Company's Board of Directors, operating in a normalized way, has exercised its authority invested by the *Articles of Association* and relevant laws and regulations, and implemented the relevant decisions of the shareholders' meeting. The number and composition of the Company's Board of Directors comply with the requirements of laws and regulations. There are four committees for strategy, audit, nomination, remuneration and appraisal under it. Each committee has a clear division of labor, clear powers and responsibilities, and effective operation. All directors of the Company have performed their duties with integrity, loyalty, diligence, professionalism and due diligence, and earnestly safeguard the legitimate rights and interests of the Company and shareholders with a view to the interests of the Company and shareholders. The independent directors of the Company performed their duties independently and unaffected in accordance with the *Rules for Independent Directors of Listed Companies* and other relevant regulations, attended the Company's Board of Directors and shareholders' general meetings, and expressed independent opinions on matters involving the interests of small and medium investors such as related transactions and external guarantees, which ensured the standardized operation of the Company.

During the reporting period, the Company convened 8 board meetings, reviewed and approved 61 proposals including the *Annual Report 2021 and its Summary*, *Proposal on Granting Restricted Shares to Grantees of 2021 Restricted Stock Plan*, *Proposal on the Plan of Repurchase Part of the Company's Public Shares*, and *Proposal on the Initial Public Share Offering and Listing on the SZSE ChiNext Market of the Subsidiary of the Company, Hangzhou Hikrobot Co., Ltd.*, etc.

4. Supervisors and Board of Supervisors

The Company's Board of Supervisors, operating in a normalized way, has exercised its authority invested by the *Articles of Association* and relevant laws and regulations. The number and composition of the Company's Board of Supervisors meet the requirements of laws and regulations; the Company's supervisors have diligently performed their duties and obligations, and carried out supervision and inspection functions being responsible to shareholders, and supervised the Company's financial status, operating conditions and related transactions, and the performance of duties by directors and senior managers to fully protect the legal rights and interests of the Company and all shareholders.

During the reporting period, the Company held 7 Board of Supervisors' meetings, reviewed and approved 37 proposals including the *Annual Report 2021 and its Summary*, *Proposal on Granting Restricted Shares to Grantees of 2021 Restricted Stock Plan*, *Proposal on the Plan of Repurchase Part of the Company's Public Shares*, and

Proposal on the Initial Public Share Offering and Listing on the SZSE ChiNext Market of the Subsidiary of the Company, Hangzhou Hikrobot Co., Ltd., etc.

5. Performance appraisal and incentive and restraint mechanism

The Company has established a complete performance appraisal system and remuneration system. The appointment procedures for senior management personnel are open and transparent, and comply with relevant laws and regulations. The remuneration and appraisal committee under the Company's Board of Directors is responsible for performance appraisal of the Company's senior management at the end of the year to determine their remuneration. To further set up and improve the Company's incentive mechanism and strengthen the concept of sustainable development of both the Company and employees, the Company has adopted a restricted share scheme and the plan of core staff's co-investment into innovation business to achieve its development strategy and business objectives, and realize sustainable health development.

6. Information disclosure and transparency

The Company has strictly followed the relevant laws and regulations and the *Information Disclosure Management Measures* to disclose relevant information truthfully, accurately, completely, timely and impartially, and thoroughly implemented the *Information Insider Registration Management System* to register insiders and file to further standardize inside information management and to ensure that all shareholders and other stakeholders of the Company have equal access to company information. During the reporting period, the Company disclosed 4 periodic reports and 73 temporary announcements. The Company's information disclosure has been recognized by the regulatory authorities: the Company has been rated as Level A by the Shenzhen Stock Exchange for 12 consecutive years in the main board listed company information disclosure assessment.

7. Continue to improve the internal management system

In accordance with relevant laws and regulations of regulatory authorities such as the *Company Law* and the *Securities Law*, requirements of normative documents and other internal management systems such as the *Articles of Association*, the *Rules of Procedure for the General Meeting of Shareholders*, the *Rules of Procedure for the Board of Directors*, the *Authorization Management System*, The Company continuously strengthened the internal management, improved the governance structure, promoted the normative operation, and protected the legitimate rights and interests of the Company and shareholders.

8. Investor relations activities

The Company has proactively organized result briefing conferences and investor research activities after the disclosure of regular reports to actively listen to investors' opinions and suggestions, and released the *Investor*

Relations Activity Record after the event to ensure fair access to company information by all investors. In daily work, the Company has kept in touch with investors through multiple channels such as telephone, e-mail, and irm.cninfo.com.cn to effectively interact and communicate with investors. The Company was awarded "Top 100 Main Board Listed Companies", "Top 100 Main Board Listed Companies in ESG", "Outstanding Management Team for the Year" and other awards in the 16th China's Most Valuable Listed Company Selection hosted by the Securities Times.

Any significant incompliance for the laws, administrative regulations and the relevant regulatory documents issued by China Securities Regulatory Commission in respect of the Company's corporate governance:

Yes No

There is no significant incompliance for the laws, administrative regulations and the relevant regulatory documents issued by China Securities Regulatory Commission in respect of the Company's corporate governance.

II. Company's Independence in Assets, Personnel, Finances, Organizations and Businesses from Controlling Shareholders and Actual Controller

The Company is completely independent in business, personnel, assets, organizations, and finances from its shareholders. The Company has established a sound internal control system, being capable of operating independently with its complete and independent business.

- (1) **Business independence:** The Company has own production, purchases and sales systems, which are completely independent from controlling shareholders. Therefore, there is no competition among the Company, controlling shareholders, and related parties.
- (2) **Personnel independence:** The Company has independent personnel. The management has set up various independent departments, including R&D, production, administration, finance and operation management divisions, etc., and established complete management methods for labor, personnel, and salary management. Personnel of the Company is independent from controlling shareholders, e.g. the chairman is elected through the general meetings of the Board. In addition, the general manager, senior deputy general managers, the secretary of the Board, CFO, and other senior management personnel

of the Company are only employed and remunerated by the Company, and do not hold any position in controlling shareholders and is not remunerated by controlling shareholders. Directors, supervisors and senior management personnel are appointed through legal procedures strictly in accordance with relevant regulations stipulated in *Company Law* and *Articles of Association*. There is no controlling shareholder illegal intervention in the Company’s personnel decisions in general meetings of the Board or shareholders.

- (3) **Asset Completeness:** The property rights of assets are explicitly between the Company and the controlling shareholders, and no assets, funds, or other resources owned by the Company are illegally and irregularly occupied or controlled by the controlling shareholders. Assets of the Company are integrated, including complete property rights of fixed assets for production, supporting assets for production, and intangible assets of patents, etc. The Company has the full control and ownership of all assets.
- (4) **Independence in organizations:** The Company’s Board of Directors, Board of Supervisor, management and other internal organizations operate independently, and each functional department is independent from controlling shareholders in duty and personnel. There is no superior-subordinate relation between functional departments of controlling shareholders and those of the Company, which would have an impact on the Company’s independent operations.
- (5) **Financial Independence:** The Company has established an independent financial department, as well as a sound and independent financial and accounting system. The Company makes financial decisions independently. There is a standardized financial accounting system and a financial management system for the Company’s branches and subsidiaries, and there is no controlling shareholder intervention in the Company’s financial and accounting activities. The Company has maintained accounts with banks independently of and do not share any bank account with our Controlling Shareholders. The Company has undertaken independent tax registration in accordance with applicable laws, and paid tax independently.

III. Horizontal Competition

Applicable Inapplicable

IV. Annual General Meeting and Extraordinary General Meetings Convened during the Reporting Period

1. General Meetings Convened during the Reporting Period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Resolution of the Meeting
The 1 st Extraordinary General Meeting of Shareholders in 2022	Extraordinary General Meeting of Shareholders	65.6154%	January 17, 2022	January 18, 2022	4 proposals including the <i>2021 Restricted Stock Plan (Revised Draft) and its Summary</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2022-002.
2021 Annual General Meeting	Annual General Meeting	67.3841%	May 13, 2022	May 14, 2022	12 proposals including the <i>2021 Annual Report and Summary</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2022-035.
The 2 nd Extraordinary General Meeting of Shareholders in 2022	Extraordinary General Meeting of Shareholders	63.6392%	October 10, 2022	October 11, 2022	5 proposals including the <i>Proposal on the Second Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2022-056.
The 3 rd Extraordinary General Meeting of Shareholders in 2022	Extraordinary General Meeting of Shareholders	64.8159%	December 26, 2022	December 27, 2022	10 proposals including the <i>Proposal on the Initial Public Share Offering and Listing on the SZSE ChiNext Market of the Subsidiary of the Company, Hangzhou Hikrobot Co.,</i>

					<p><i>Ltd.</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2022-073.</p>
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2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights:

Applicable Inapplicable

V. Information about Directors, Supervisors, Senior Management

1. Basic Situation

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
Chen Zongnian	Chairman	Incumbent	Male	58	June 19, 2008	March 4, 2024	0	0	0	0	0	--
Qu Liyang	Director	Incumbent	Male	59	March 7, 2018	March 4, 2024	15,750	0	0	0	15,750	--
Wang Qiuchao	Director	Incumbent	Male	72	March 5, 2021	March 4, 2024	35,000	0	0	0	35,000	--
Hu Yangzhong	Director, General Manager (CEO)	Incumbent	Male	58	December 28, 2001	March 4, 2024	155,246,477	0	0	0	155,246,477	--
Wu Weiqi	Director, Standing Deputy General Manager	Incumbent	Male	59	March 1, 2003	March 4, 2024	8,631,089	0	0	0	8,631,089	--
Wu Xiaobo	Independent Director	Incumbent	Male	63	March 5, 2021	March 4, 2024	0	0	0	0	0	--

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
Hu Ruimin	Independent Director	Incumbent	Male	59	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Li Shuhua	Independent Director	Incumbent	Male	52	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Guan Qingyou	Independent Director	Incumbent	Male	46	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Hong Tianfeng	Supervisor Chairman	Incumbent	Male	57	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Xu Lirong	Supervisor	Incumbent	Male	60	March 21, 2018	March 4, 2024	303,000	0	0	0	303,000	--
Lu Jianzhong	Supervisor	Incumbent	Male	69	March 5, 2021	March 4, 2024	0	0	0	0	0	--
He Hongli	Senior Deputy General Manager	Incumbent	Female	50	December 18, 2005	March 11, 2024	331,500	0	0	0	331,500	--
Cai Changyang	Senior Deputy General Manager	Incumbent	Male	52	April 8, 2016	March 11, 2024	109,500	0	0	0	109,500	--

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
Xu Ximing	Senior Deputy General Manager	Incumbent	Male	50	October 11, 2016	March 11, 2024	197,000	0	0	90,000	287,000	The grant of 2021 restricted shares
Bi Huijuan	Senior Deputy General Manager	Incumbent	Female	52	October 11, 2016	March 11, 2024	273,000	0	0	0	273,000	--
Pu Shiliang	Senior Deputy General Manager	Incumbent	Male	46	March 21, 2018	March 11, 2024	295,900	0	0	90,000	385,900	The grant of 2021 restricted shares
Jin Duo	Senior Deputy General Manager	Incumbent	Male	58	March 10, 2015	March 11, 2024	109,500	0	0	0	109,500	--
Jin Yan	Senior Deputy General Manager, Person in charge of finance	Incumbent	Female	44	July 22, 2015	March 11, 2024	284,000	0	0	80,000	364,000	The grant of 2021 restricted shares
Huang Fanghong	Senior Deputy General	Incumbent	Female	41	April 8, 2016	March 11, 2024	402,500	0	0	80,000	482,500	The grant of 2021 restricted shares

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
	Manager, Board Secretary											
Chen Junke	Senior Deputy General Manager	Incumbent	Male	52	March 21, 2018	March 11, 2024	0	0	0	0	0	--
Xu Peng	Senior Deputy General Manager	Incumbent	Male	47	March 12, 2021	March 11, 2024	77,244	0	0	70,000	147,244	The grant of 2021 restricted shares
Guo Xudong	Senior Deputy General Manager	Incumbent	Male	51	March 12, 2021	March 11, 2024	44,280	0	0	0	44,280	--
Total	--	--	--	--	--	--	166,355,740	0	0	410,000	166,765,740	--

Note:

(1) Number of shares held at the beginning of the period, shares increased during the period, shares decreased during the period, other increase or decrease of shares, and shares held at the end of the period for directors, supervisors, and senior management personnel above are all shares directly held by them accordingly, including restricted shares.

Any resignation of directors or supervisors and dismissals of senior management personnel during their term of office during the reporting period.

Yes No

Change of directors, supervisors and senior management personnel

Applicable Inapplicable

2. Positions and Incumbency

1) Directors

Mr Chen Zongnian (陈宗年): Born in 1965, Chen holds a PhD of business administration and has served as deputy general manager of Shenzhen Gao Ke Run Electronics, director and general manager of Zhejiang Haikang Information Technology Co., Ltd. and Zhejiang Haikang Group Co., Ltd. He also served as an assistant of the head, deputy head, and the head of 52nd Research Institute at China Electronics Technology Group Corporation (hereinafter referred to as "52nd Research Institute"). Chen currently serves as the Chairman of China Electronics Technology HIK Group Co., Ltd. (CETHIK), the Chairman of Phoenix Optics Co., Ltd. and the Chairman of the Company.

Mr. Qu Liyang (屈力扬): Born in 1964, bachelor degree of engineering, researcher-level senior engineer. He served as the director, deputy director, party secretary and deputy director of the 52nd Research Institute, and Chairman of the Board of Supervisors of CETHIK. He is currently a member of the Strategy Committee of China Electronic Technology Group Co., Ltd., director of the Science and Technology Innovation Committee of CETHIK, and a director of the Company.

Mr. Wang Qiuchao (王秋潮): Born in 1951, master degree in law. Wang served as director of Zhejiang T&C Law Firm (浙江天册律师事务所), Chairman of the Zhejiang Lawyers Association (浙江省律师协会), vice-president of the Zhejiang Law Society (浙江省法学会), and a supervisor of the Company. Wang currently serves as honorary partner of Zhejiang T&C Law Firm, arbitrator of the China International Economic and Trade Arbitration Commission (中国国际经济贸易仲裁委员会, "CIETAC"), an arbitrator of Shanghai International Arbitration Center (上海国际仲裁中心) and Shenzhen International Economic and Trade Arbitration Commission (深圳国际仲裁中心), and a director of the Company.

Mr. Hu Yangzhong (胡扬忠): Born in 1965, master degree of engineering, senior research engineer. He served as an engineer of the 52nd Research Institute from June 1989 to December 2001. He has been appointed as a director of the Company and general manager of the Company since December 2001. Hu currently serves as a director and the general manager of the Company.

Mr. Wu Weiqi (邬伟琪): Born in 1964, bachelor degree of engineering, senior engineer. Wu held various positions at the 52nd Research Institute, including technician, engineer associate, engineer and senior engineer, from July 1986 to December 2001. Since November 2001, He has been appointed as a deputy general manager, a standing deputy

general manager, and a director of Hikvision. Wu currently serves as a director and standing deputy general manager of the Company.

Mr. Wu Xiaobo (吴晓波): Born in 1960, a PhD of business administration, Professor, Ph.D. Tutor. In February 1982, he joined the Energy Saving Office of the Ministry of Forestry, Zhejiang Energy Conservation Technology Service Center, and joined the School of Management of Zhejiang University in July 1992, successively served as an executive vice dean and dean. He is currently the Director of the Department of Social Sciences of Zhejiang University, the director of the National Philosophy and Social Science Innovation Base - *Research on Innovation Management and Sustainable Competitiveness* of Zhejiang University, the Chinese director of the Joint Research Center for Global Manufacturing and Innovation Management of Zhejiang University-Cambridge University, the co-director of the Ruihua Institute of Innovation Management, and an independent director of the Company.

Mr. Hu Ruimin (胡瑞敏): Born in 1964, a PhD in engineering, Second-level Professor, doctoral tutor, LuoJia distinguished scholar, recipient of Special Government Grants from the State Council, Senior Member of IEEE (Institute of Electrical and Electronics Engineers), fellow of China Institute of Communications, distinguished member of China Computer Federation. He has successively served as vice chairman of the Academic Committee of Wuhan University, director of the National Multimedia Software Engineering Technology Research Center, director of Hubei Provincial Key Laboratory of Multimedia Network Communication Engineering, First Executive Dean of National Cyber Security College and Dean of School of Computer Science of Wuhan University. From January 2010 to January 2016, he served as the first dean of Hikvision Research Institute. He is currently a professor of Wuhan University and an independent director of the Company.

Mr. Li Shuhua (李树华): Born in 1971, a PhD in accounting, non-practicing member of the China Institute of Certified Public Accountants, National-level candidates for the New Century Hundreds and Thousands of Talents Project, National Leading Talents in Accounting, and National Leading Talents in Shenzhen. He has successively served as deputy director of the Audit Division of the Accounting Department of the China Securities Regulatory Commission (presiding), deputy director of the General Office (presiding), director of the Financial and Budget Management Department and director of the General Office, a member of the Executive Committee and Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer of China Galaxy Securities Co., Ltd. He concurrently served as a PE professor and master's tutor at the National Accounting Institute (Xiamen), Peking University, Shanghai Institute of Advanced Finance, Shanghai Jiaotong University, and Tsinghua University. He is currently the managing partner of Shenzhen Oriental Fortune Capital Investment Management Co., Ltd. (OFC),

Chairman of Changzhou NRB Corporation (常州光洋轴承股份有限公司), and an independent director of the Company.

Mr. Guan Qingyou (管清友): Born in 1977, a holder of Ph.D. in economics, Young Economist. He has successively served as the former vice president of Minsheng Securities and the president of the research institute; He is currently the President and Chief Economist of the Institute of Finance, Vice President of the China Private Economic Research Association, Professor of the School of Economics of Hainan University, Chief Economist of Zhongguancun Private Equity & Venture Capital Association (ZVCA) and Guangdong Province Venture Capital Association, and an independent director of the Company.

2) Supervisors

Mr. Hong Tianfeng (洪天峰): Born in 1966, master degree in engineering. Hong was an engineer in Nanjing University of Posts and Telecommunication (南京邮电大学) from July 1990 to June 1993; He served as an executive deputy general manager, chief executive of Operation and Delivery, chairman of investment decision committee, and vice chairman of Huawei Technologies Co., Ltd. (华为技术有限公司) from July 1993 to September 2011. Hong has served as an independent director of the Company. Hong currently serves as a managing partner of Suzhou Fangguang Venture Investment Management (Limited Partnership)(苏州方广创业投资管理合伙企业(有限合伙)), an executive director of Shanghai Fangguang Investment Management Co., Ltd. (上海方广投资管理有限公司), and supervisor of the Company.

Mr. Lu Jianzhong (陆建忠): Born in 1954, holds bachelor degree in economics and CPA certificate. Lu served as a lecturer and an associate professor of finance and accounting department at Shanghai Maritime University (上海海事大学) from September 1986 to September 1997; he was a CPA and a partner of the auditing department of PricewaterhouseCoopers, from October 1997 to June 2012; he was a chartered accountant of Shanghai De'an Certified Public Accountants LLP (上海德安会计师事务所) from July 2012 to July 2013; he was a chartered accountant of the Shanghai branch of PKF Daxin Certified Public Accountants LLP (大信会计师事务所上海分所), from August 2013 to July 2014; he was a partner and a chartered accountant and a partner of Zhongxinghua Certified Public Accountants LLP (中兴华会计师事务所) from August 2014 to January 2016; he was a chartered accountant of Dahua Certified Public Accountants LLP (大华会计师事务所) from January 2016 to December 2021. Lu has served as an independent director of Hikvision. Lu currently serves as a chartered

accountant of Zhongxinghua Certificated Public Accountants LLP Shanghai Branch, and a supervisor of the Company.

Mr. Xu Lirong (徐礼荣): Born in 1963, master degree of engineering, senior engineer. In January 2002, he joined Hikvision and served as manager of development division under the R&D center, secretary of the Board of Directors, the person in charge of internal audit, and a deputy general manager of the Company. He is currently the employee representative supervisor.

3) Senior Management Personnel

Mr. Hu Yangzhong (胡扬忠): Please refer to his profile in preceding part of the report.

Mr. Wu Weiqi (邬伟琪): Please refer to his profile in preceding part of the report.

Ms. He Hongli (何虹丽): Born in 1973, master degree in business administration. She joined Hikvision in December 2001 and served as an assistant to the general manager and a deputy general manager. Ms. He currently serves as a senior deputy general manager of the Company.

Mr. Cai Changyang (蔡昶阳): Born in 1971, bachelor degree in engineering. He joined Hikvision in 2004, and held various positions of the Company, including general manager of Beijing branch, director for government and enterprise corporation department, director of investment department, director of strategy and marketing department, and a deputy general manager of the Company. Mr. Cai currently serves as senior deputy general manager of the Company.

Mr. Xu Ximing (徐习明): Born in 1973, bachelor degree in engineering. From July 1996 to September 2016, he held various positions in IBM, including engineer, department manager, director, partner of consulting service, senior partner of consulting service, and a vice president. He joined Hikvision in September 2016, and served as a deputy general manager of the Company. Mr. Xu currently serves as a senior deputy general manager of the Company.

Ms. Bi Huijuan (毕会娟): Born in 1971, PhD in engineering, senior research engineer. From April 1999 to August 2016, she held various positions in the 15th Research Institute at China Electronics Technology Group Corporation (CETC), including engineer, senior engineer, senior research engineer, head of R&D department, vice chief engineer, and deputy director. She joined Hikvision in August 2016, and served as a deputy general manager of the Company. Ms. Bi currently serves as a senior deputy general manager of the Company.

Mr. Pu Shiliang (浦世亮): Born in 1977, doctor of engineering, a senior engineer. He joined Hikvision in April 2006 and held various positions in the Company, including R&D engineer, R&D manager, R&D director, dean of the R&D institute, and chief expert. He currently serves as a senior deputy general manager of the Company.

Mr. Jin Duo (金铎): Born in 1965, bachelor degree in engineering, a senior engineer. He served as a technician, assistant to engineers, an engineer and a senior engineer of the 52nd Research Institute from July 1986 to June 2004. He joined Hikvision in July 2004 and served as general manager of Hangzhou Branch, and a deputy general manager of the Company. Mr. Jin currently serves as a senior deputy general manager of the Company.

Ms. Jin Yan (金艳): Born in 1979, master degree in management, an accountant. She joined Hikvision in 2004 and held various positions at the Company, including financial manager, the general manager of the Financial Management Center, and a deputy general manager and the person in charge of finance and accounting. Ms. Jin currently serves as a senior deputy general manager and the person in charge of finance and accounting of the Company.

Ms. Huang Fanghong (黄方红): Born in 1982, bachelor degree in law. She joined Hikvision in June 2009 and held various positions at the Company including legal department manager, internal audit manager, internal control director, and a deputy general manager and the board secretary. Ms. Huang currently serves as a senior deputy general manager, and board secretary of the Company.

Mr. Chen Junke (陈军科): Born in 1971, bachelor degree in engineering, senior engineer. Chen held various positions in the 52nd Research Institute from 1994 to 2001, including assistant engineer, engineer and senior engineer. He joined the Company in 2001 and served as the technology director of the Digital Video Recorder (DVR) Division of the Technology Management Center, general manager of supply chain management center, employee representative supervisor. Chen currently serves as senior deputy general manager of the Company.

Mr. Xu Peng (徐鹏): Born in 1976, bachelor of engineering, senior engineer. From 1998 to 2004, he successively served as an assistant engineer and engineer of 52nd Research Institute, and in 2004, he joined Hikvision, where he served as camera research and development manager, research and development director, product director, general manager of front-end product business, and deputy general manager of the Company. He is currently the senior deputy general manager of the Company.

Mr. Guo Xudong (郭旭东): Born in 1972, bachelor of engineering. In July 2002, he joined Hikvision, and successively served as general manager of Shenzhen Branch, marketing director of domestic marketing center and deputy general manager of domestic marketing center. He is currently the senior deputy general manager of the Company.

Position held in shareholders' entities

√Applicable □ Inapplicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Chen Zongnian	China Electronics Technology HIK Group Ltd.	Chairman, Secretary of Party Committee	November 2013	--	Y
Hu Yangzhong	China Electronics Technology HIK Group Ltd.	Director	December 2013	April 2022	N
Xu Lirong	China Electronics Technology HIK Group Ltd.	Supervisor, Member of Commission for Discipline Inspection	December 2013	--	N

Positions held in other entities

√Applicable □ Inapplicable

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Cheng Zongnian	Zhejiang <i>AIoT Technology Magazine</i>	Legal Representative	May 2009		N
Cheng Zongnian	Phoenix Optics Ltd.	Chairman	December 2019		N
Wang Qiuchao	Zhejiang T&C Law Firm	Partner	June 1986		Y
Wang Qiuchao	Shanghai Kehui Value Investment Management Ltd.	Director	July 2009		N
Wang Qiuchao	Yalongxing Investment Development Ltd.	Director	February 2012		N
Wang Qiuchao	Botsy Technology Co., Ltd	Independent Director	June 2020		Y
Wu Weiqi	Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	Executive Partner	April 2011		N
Wu Weiqi	Wuhu Sensortech Intelligent Technology Ltd.	Director	January 2017	February 2023	N
Wu Weiqi	Hangzhou Qianmo Tongzhou Equity Investment Partnership (Limited Partnership)	Executive Partner	July 2021	December 2022	N
Wu Xiaobo	Shanghai Yirui Management Consultants Ltd.	Director	April 2004		N

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Wu Xiaobo	Hangzhou Co-Rui Enterprise Management Consulting Ltd.	Director	April 2011		N
Wu Xiaobo	Ningbo Industrial Internet Research Institute Ltd.	Independent director	May 2018		Y
Wu Xiaobo	Eddy Co., Ltd.	Independent director	August 2018		Y
Wu Xiaobo	Zhongliang Holdings Group Ltd.	Independent director	June 2019		Y
Wu Xiaobo	Ruihua Innovation Management Research Institute (Hangzhou) Ltd.	Director	November 2019		N
Wu Xiaobo	UCloud Technology Co., Ltd.	Independent director	June 2020		Y
Wu Xiaobo	Zhongtian Holding Group Ltd.	Independent director	July 2021		Y
Li Shuhua	Xi'an ShaanGu Power Co., Ltd.	Independent director	May 2018		Y
Li Shuhua	Shenzhen Dongfang Fuhai Investment Management Co., Ltd.	Managing Partner	July 2018		Y
Li Shuhua	Luoyang Yuchuan Yuye Group Co., Ltd.	Independent director	August 2018		Y
Li Shuhua	Changzhou Guangyang Holdings Ltd.	Chairman & CEO	August 2019		N
Li Shuhua	Changzhou NRB Co., Ltd.	Chairman	October 2019		Y
Li Shuhua	Weihai Shiyi Electronics Ltd.	Chairman	December 2020		N
Li Shuhua	Juzhengyuan Co., Ltd.	Independent director	December 2020		Y
Li Shuhua	Guangdong Shengyi Technology Co., Ltd.	Independent director	October 2021		Y
Li Shuhua	Shenzhen Yuanzhi Fuhai Investment Management Ltd.	Chairman of the Board of Supervisors	July 2018	November 2022	N
Guan Qingyou	Beijing Rushi Chengjin Information Consulting Services Ltd.	CEO	October 2016		N

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Guan Qingyou	Beijing Rushiwo Research Information Consulting Service Ltd.	Executive Director & CEO	December 2017		Y
Guan Qingyou	Midea Group Co., Ltd.	Independent director	August 2018		Y
Guan Qingyou	Beijing Xincai Zhibei Information Technology Ltd.	Supervisor	October 2018		N
Guan Qingyou	South China Futures Co., Ltd.	Independent director	March 2019		Y
Guan Qingyou	Beijing Film Spectrum Technology Co., Ltd.	Independent director	March 2019		Y
Guan Qingyou	Shanxi International Trust Co., Ltd.	Independent director	July 2019		Y
Guan Qingyou	Beijing Rushiwo Research Institute of Science and Technology Ltd.	Executive Director & CEO	May 2020		N
Guan Qingyou	Beijing Rushi Wancheng Technology Development Ltd.	Executive Director & CEO	June 2020		N
Guan Qingyou	Hainan Wuyongtang Information Technology Ltd.	Executive Director & CEO	July 2020		N
Guan Qingyou	Beijing Yaocen Yuanmu Information Technology Ltd.	Executive Director & CEO	July 2020		N
Guan Qingyou	Beijing Ruohan Jiatai Technology Ltd.	Executive Director & CEO	December 2020		N
Guan Qingyou	Zhongchancheng Investment (Shenzhen) Ltd.	Supervisor	March 2021		N
Guan Qingyou	Qingdao Rushiwo Research Investment Management Ltd.	Supervisor	November 2021		N
Guan Qingyou	Shenzhen Jiuzhoutongyu Technology Ltd.	Supervisor	January 2022		N
Guan Qingyou	Beijing Minjin Information Consulting Services Ltd.	Supervisor	September 2017	September 2022	N
Guan Qingyou	Shandong Expressway Road and Bridge Group Ltd.	Independent director	January 2021	May 2022	Y
Hong Tianfeng	Shanghai Fangguang	Executive Director	February 2012		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
	Investment Management Ltd.				
Hong Tianfeng	Shanghai Fangguang Venture Investment Management Partnership Enterprise (Limited Partnership)	Managing Partner	June 2012		N
Hong Tianfeng	Shanghai Fangguang Venture Investment Partnership Enterprise (Limited Partnership)	Managing Partner	August 2012		N
Hong Tianfeng	Suzhou Fangguang Venture Investment Management Partnership Enterprise (Limited Partnership)	Managing Partner	September 2012		N
Hong Tianfeng	Suzhou Fangguang Venture Investment Partnership Enterprise (Limited Partnership)	Managing Partner	September 2012		N
Hong Tianfeng	Shenzhen Yunzhixun Network Technology Ltd.	Director	May 2014		N
Hong Tianfeng	Shenzhen Fangguang Enterprise Management Consulting Ltd.	Executive Director & CEO	May 2016		N
Hong Tianfeng	Suzhou Fangguang Venture Investment Phase II Partnership Enterprise (Limited Partnership)	Managing Partner	July 2016		N
Hong Tianfeng	Shanghai Fangguang Erqi Venture Investment Partnership Enterprise (Limited Partnership)	Managing Partner	September 2016		N
Hong Tianfeng	Zhongwei Dahe Cloud Connection Network Technology Ltd.	Director	November 2016		N
Hong Tianfeng	CETC Huayun Information Technology Ltd.	Director	March 2017		N
Hong Tianfeng	Shenzhen YingFeiYuan Technology Ltd.	Director	October 2017		N

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Hong Tianfeng	Beijing ZhiZhangYi Science and Technology Ltd.	Director	January 2018		N
Hong Tianfeng	Shenzhen Chip and Semiconductor Technology Ltd.	Director	February 2018		N
Hong Tianfeng	Shanghai Daxian Intelligent Science and Technology Ltd.	Director	June 2018		N
Hong Tianfeng	Quanzhi Technology (Hangzhou) Ltd.	Director	June 2020		N
Hong Tianfeng	Shanghai Fanglan Enterprise Management Center	Executive Director & CEO	March 2021		N
Hong Tianfeng	Shanghai Fangguang Enterprise Management Consulting Ltd.	Executive Director	November 2022		N
Hong Tianfeng	Sannuo Biology Sensor Co., Ltd.	Director	September 2013	January 2023	Y
Hong Tianfeng	Shenzhen DongFengMingTu Enterprise Management Ltd.	Supervisor	August 2016	July 2022	N
Hong Tianfeng	Guangzhou Smart Software Ltd.	Director	March 2018	June 2022	N
Hong Tianfeng	Shenzhen Zhongtu Instrument Co., Ltd.	Director	February 2021	April 2022	Y
Lu Jianzhong	Huatai Baoxing Fund Management Ltd.	Director	July 2016		Y
Lu Jianzhong	COSCO Maritime Transport Development Co., Ltd.	Independent Director	January 2018		Y
Lu Jianzhong	Shanghai Xinnanyang Angli Education Technology Co., Ltd.	Independent Director	January 2019		Y
Lu Jianzhong	INESA (Group) Co., Ltd.	Director	December 2019		N
Lu Jianzhong	Shanghai Vico Precision Mold &Plastics Co., Ltd.	Director	May 2021		Y
Lu Jianzhong	BOMESC Offshore Engineering Co., Ltd.	Independent Director	December 2021		Y
Lu Jianzhong	Zhongxinghua Certified Public Accountants LLP (Shanghai Branch)	Chartered Accountant	January 2022		N

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Lu Jianzhong	Bank of Tianjin Co., Ltd.	Independent Director	August 2022		Y
Lu Jianzhong	Antai College of Economics and Management, SJTU	Corporate mentor	December 2013	June 2022	N
Xu Ximing	Shenzhen Wangyu Security Service Science and Technology Ltd.	Director	November 2019		N
Xu Ximing	Chengdu Guoshengtianfeng Network Technology Ltd.	Director	August 2020		N
Xu Ximing	Hangzhou Confirmware Technology Co., Ltd.	Director	August 2021		N
Jin Duo	Zhejiang Haishi Huayue Digital Technology Ltd	Chairman	January 2020		N
Xu Peng	Maxio Technology (Hangzhou) Co., Ltd.	Director	December 2021		N
Guo Xudong	Zhejiang Fast Line data fusion Information Technology Co., Ltd.	Director	January 2021		N

Incumbent and off-office directors, supervisors and senior management personnel during the reporting period that have been imposed administrative penalties by the CSRC during the last three years.

Applicable Inapplicable

3. Remuneration of Directors, Supervisors and Senior Management Personnel

The decision-making program, determination basis and actual remuneration payment of directors, supervisors and senior management personnel:

The remuneration of directors, supervisors and senior management personnel will be received preliminarily by the Remuneration and Appraisal Committee of the Board, among them, remuneration of independent directors and external supervisors would be further reviewed and approved by general meeting of shareholders. As for those directors (exclude independent directors), supervisors (exclude external supervisors) and senior management personnel who receive remuneration from the Company directly, they will receive remuneration according to the Company's current Salary System and Performance Appraisal Schemes.

Remuneration of directors, supervisors and senior management personnel

Unit: RMB 0,000

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Chen Zongnian	Chairman	M	58	Incumbent	0	Y

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Qu Liyang	Director	M	59	Incumbent	0	Y
Wang Qiuchao	Director	M	72	Incumbent	30.00	N
Hu Yangzhong	Director, CEO	M	58	Incumbent	243.54	N
Wu Weiqi	Director, Standing Deputy General Manager	M	59	Incumbent	266.37	N
Wu Xiaobo	Independent Director	M	63	Incumbent	30.00	N
Hu Ruimin	Independent Director	M	59	Incumbent	30.00	N
Li Shuhua	Independent Director	M	52	Incumbent	30.00	N
Guan Qingyou	Independent Director	M	46	Incumbent	30.00	N
Hong Tianfeng	Supervisor Chairman	M	57	Incumbent	20.00	N
Lu Jianzhong	Supervisor	M	69	Incumbent	20.00	N
Xu Lirong	Supervisor	M	60	Incumbent	148.08	N
He Hongli	Senior Deputy General Manager	F	50	Incumbent	262.04	N
Cai Changyang	Senior Deputy General Manager	M	52	Incumbent	252.77	N
Xu Ximing	Senior Deputy General Manager	M	50	Incumbent	370.74	N
Bi Huijuan	Senior Deputy General Manager	F	52	Incumbent	357.56	N
Pu Shiliang	Senior Deputy General Manager	M	46	Incumbent	270.25	N
Jin duo	Senior Deputy General Manager	M	58	Incumbent	268.97	N
Jin Yan	Senior Deputy General Manager, person in charge of finance and accounting	F	44	Incumbent	245.82	N
Huang Fanghong	Senior Deputy General Manager Board Secretary	F	41	Incumbent	240.60	N
Chen Junke	Senior Deputy General Manager	M	52	Incumbent	248.75	N
Xu Peng	Senior Deputy General Manager	M	47	Incumbent	274.61	N
Guo Xudong	Senior Deputy General Manager	M	51	Incumbent	243.57	N
Total	--	--	--	--	3,883.67	--

Note: During the reporting period, the remuneration of incumbent directors, supervisors and senior management are the remuneration for the period in which they held their positions.

VI. Performance of Duties by Directors during the Reporting Period

1. The Board of Directors during the Reporting Period

Meeting Session	Convening Date	Disclosure Date	Meeting Resolutions
The 8 th meeting of the 5 th session of the Board	January 18, 2022	January 19, 2022	7 proposals were considered and approved at the meeting, including the <i>Proposal on Adjusting Grantees and Number of Granted Shares of Restricted Share Plan</i> . For details, please refer to the Company's announcement: No. 2022-004.
The 9 th meeting of the 5 th session of the Board	April 14, 2022	April 16, 2022	21 proposals were considered and approved at the meeting, including the <i>2021 Annual Report and Its Summary</i> . For details, please refer to the Company's announcement: No. 2022-018.
The 10 th meeting of the 5 th session of the Board	May 5, 2022	May 6, 2022	3 proposals were considered and approved at the meeting, including the <i>Proposal on Vesting Conditional Achievements for the Second Vesting Period of the 2018 Restricted Share Incentive Scheme</i> . For details, please refer to the Company's announcement: No. 2022-031.
The 11 th meeting of the 5 th session of the Board	June 10, 2022	June 11, 2022	10 proposals were considered and approved at the meeting, including the <i>Proposal on the Initial Public Share Offering and Listing on the SZSE ChiNext Market of the Subsidiary of the Company, Hangzhou Hikrobot Technology Ltd.</i> For details, please refer to the Company's announcement: No. 2022-039.
The 12 th meeting of the 5 th session of the Board	August 12, 2022	August 13, 2022	4 proposals were considered and approved at the meeting, including the <i>2022 Half Year Report and Its Summary</i> . For details, please refer to the Company's announcement: No. 2022-045.
The 13 th meeting of the 5 th session of the Board	September 15, 2022	September 16, 2022	4 proposals were considered and approved at the meeting, including the <i>Proposal on the Plan of Repurchase Part of the Company's Public Shares</i> . For details, please refer to the Company's announcement: No. 2022-049.
The 14 th meeting of the 5 th session	October 28, 2022	October 29, 2022	1 proposal was considered and approved at the

Meeting Session	Convening Date	Disclosure Date	Meeting Resolutions
of the Board			meeting, the <i>2022Q3 Report and Its Summary</i> . For details, please refer to the Company's announcement: No. 2022-060.
The 15 th meeting of the 5 th session of the Board	December 9, 2022	December 10, 2022	11 proposals were considered and approved at the meeting, including the <i>Proposal on the Initial Public Share Offering and Listing on the SZSE ChiNext Market of the Subsidiary of the Company, Hangzhou Hikrobot Co., Ltd.</i> For details, please refer to the Company's announcement: No. 2022-067.

2. Attendance of Directors in Board Meetings and General Meetings

Attendance of directors in board meetings and general meetings							
Name of Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of independent directors in general meetings (times)
Chen Zongnian	8	1	7	0	0	N	3
Qu Liyang	8	1	7	0	0	N	1
Wang Qiuchao	8	1	7	0	0	N	2
Hu Yangzhong	8	1	7	0	0	N	4
Wu Weiqi	8	1	7	0	0	N	4
Wu Xiaobo	8	1	7	0	0	N	2
Hu Ruimin	8	1	7	0	0	N	2
Li Shuhua	8	1	7	0	0	N	2
Guan Qingyou	8	1	7	0	0	N	1

3. Objections from Directors on Related Issues of the Company

Were there any objections on related issues of the Company from directors?

Yes No

During the reporting period, there is no objections on related issues of the Company from directors.

4. Other Details about the Performance of Duties by Directors

Were there any suggestions from directors accepted by the Company?

√ Yes □ No

Details: During the Reporting Period, directors strictly followed related rules, regulations, including *Company Law, Rules Governing the Listing of Shares on Shenzhen Stock Exchange, Shenzhen Stock Exchange Listed Companies Self-Regulatory Supervision Guidelines No. 1 - Standardized Operation of Main Board Listed Companies* and *Articles of Association*. They focused on the Company operation, carefully review the Company's relevant meeting materials, reviewed and approved a number of board resolutions, and have no objection to all the proposals; At the same time, the directors of the Company put forward relevant constructive suggestions based on their professional abilities and the actual situation of the Company, which had a positive impact on the standardized operation of the Company and fulfilled their duties as directors.

The Company's independent directors strictly followed related rules, regulations, including *Rules for Independent Directors of Listed Companies* and *Regulations on Independent Directors* of the Company. They carried out their duties independently and imparted considerable professional advice on improving the Company's systems, daily operations and decision making. They provided objective and fair advices during the reporting period and played an effective role in improving the Company supervisory systems and protecting the legal rights of the Company, the shareholders, especially public shareholders as a whole. For details, please refer to *Independent Directors' 2022 Debriefings* disclosed on www.cninfo.com.cn.

VII. The Special Committees under the Board during the Reporting Period

Committee Name	Members	Number of meetings held	Convening Date	Meeting Content	Important comments and suggestions
Strategy Committee of the 5 th session of the Board of Directors	Chen Zongnian (convener), Wu Xiaobo, Hu Ruimin	6	January 12, 2022 to December 2, 2022	Reviewed and approved 12 proposals including the <i>2021 Annual Work Report of the Strategy Committee of the Board of Directors</i>	All expressed concurring opinions
Audit Committee of the 5 th session of the Board of Directors	Li Shuhua (convener), Wang Qiuchao, Guan Qingyou	3	February 10, 2022 to April 14, 2022	Reviewed and approved 9 proposals including <i>Proposal on 2022 Reappointment of Certificated Public Accountants LLP</i>	All expressed concurring opinions
Remuneration and Appraisal Committee of the 5 th	Guan Qingyou (convener), Wu Xiaobo, Wu Weiqi	4	January 18, 2022 to May 5, 2022	Reviewed and approved 10 proposals including the <i>2021 Annual Report and Its</i>	All expressed concurring opinions

Committee Name	Members	Number of meetings held	Convening Date	Meeting Content	Important comments and suggestions
session of the Board of Directors				<i>Summary</i>	

VIII. Performance of Duties by the Supervisory Committee

Were there any risks to the Company identified by Board of Supervisors when performing its duties during the reporting period?

Yes No

The Board of Supervisors has no objection to the supervision matters during the reporting period.

IX. Staff in the Company

1. Statistics of Employees, Professional Structure of the Staff, and Educational Background

Number of incumbent employees in the parent Company at the end of the reporting period	21,343
Number of incumbent employees in major subsidiaries at the end of the reporting period	36,941
Number of incumbent employees at the end of the reporting period	58,284
Number of employees receiving salaries in current period	58,284
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
Professional structure	
Tier	Number of employees
Managerial personnel	928
Production staff	17,400
Sales staff	10,085
Technical staff	27,951
Financial staff	417
Administrative Staff	1,503
Total	58,284
Educational background	
Education background	Number of employees
Master and/or doctor/or above	10,964
Bachelor	28,689
Junior College (professional training)	5,368

Other	13,263
Total	58,284

2. Staff Remuneration Policy

Hikvision applies scientific talent cultivation methods, effective talent incentive mechanisms and fair competition platforms to recruit talents, and continuously optimizes the talent structure. The Company provides employees with remuneration packages which are competitive in the industry. In addition to endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident funds, the Company also provides employees with the supplementary commercial insurance, special allowances, and other benefits, and creates a fairer and more humanized working environment for each employee; so that each employee is able to demonstrate his/her value, and create value to satisfy increasing demands for a good life.

3. Staff Training Plans

The Company is focused on long-term development strategies and works for the goal of supporting business development and people development. The Company has planned and implemented a set of training programs and courses.

During 2020-2022, in the context of the macro environment and businesses becoming more complex, the Company had to adapt itself to the higher requirements on learning management and operations. The Company committed to the twin strategies of "system construction" and "resource construction". In order to adapt to the diversity of internal learning needs, the Company gradually strengthened the traction and design of talent training projects through deep online and offline integration, combing with the digital training platform to make trainings more flexible, and promoted organizational experience accumulation and replication in a more orderly manner, and resources can be shared and reused more efficiently within the Company through the comprehensive online management of teachers and courses, accelerating replication and propagation from 1 to N of key business experiences.

To adapt to the background that the external business environment changes rapidly, the human resources department goes deep into the front line of the business, quickly empowering key positions by working with business

experts to timely summarize experiences, identifying typical scenarios of business development, learning practical methodologies and skills, and implementing the large learning project that is a combination of theoretical training and practical training.

In 2023, the Company continues to strengthen the construction of talent development systems, facilitating talent supply for key positions for business development through designing the development project of talent development and the training project of core business talent.

4. Labor Outsourcing

Applicable Inapplicable

X. Profit Distribution and Capitalization of Capital Reserves

Profit distribution policy in the reporting period, especially the formulation, implementation and adjustment of cash dividend policy

Applicable Inapplicable

Special explanation of cash dividend policy	
Whether it complies with the provisions of the Company's articles of association or the requirements of the resolution of the shareholders' meeting:	Yes
Whether the dividend standard and dividend ratio are clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether independent directors performed their duties and played their due roles:	Yes
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Inapplicable

The 9th meeting of the 5th session of the Board of Directors of the Company reviewed and approved the 2021 *Annual Profit Distribution Proposal*, and was reviewed and approved by the Company's 2021 annual general meeting: based on the Company's current total share capital of 9,433,208,719 shares, the Company proposed to distribute cash dividend of RMB 9 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil. The date of record for this profit distribution is May 25, 2022, the ex-rights/ex-dividend date is May 26, 2022, and the total cash dividends (tax inclusive) is RMB8,489,887,847.10.

The above-mentioned profit distribution policy conforms to the provisions of the Company's articles of association and the review procedures, and fully protects the legitimate rights and interests of small and medium

investors, and the independent directors have expressed their agreement.

In 2022, the Company implemented the repurchase of its shares by means of centralized bidding. According to the *Company Law, Rules Governing the Listing of Shares on Shenzhen Stock Exchange, Shenzhen Stock Exchange Listed Companies Self-Regulatory Supervision Guidelines No. 9 – Repurchase of Shares*, the amount of shares repurchased that the Company has implemented during the year is deemed to be equal to the amount of cash dividends, which is included in the measurement of the relevant portion of cash dividends for the year.

During the reporting period, the Company was profitable and the distributable profits to shareholders of the parent company was positive, but the Company did not propose a cash dividend distribution plan.

Applicable Inapplicable

Profit distribution and capitalizing of capital reserves for the current reporting period

Applicable Inapplicable

Bonus issue per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	7.00
Additional shares converted from capital reserves for 10 shares (share)	0
Total capital shares as the basis for the distribution proposal (share)	9,363,932,789
Total cash dividend (RMB) (tax inclusive)	6,554,752,952.30
Amount of cash dividends in other methods (such as share repurchase) (RMB)	2,043,476,488.53
Total cash dividends (including other methods) (RMB)	8,598,229,440.83
Distributable profits (RMB)	39,030,437,901.96
Percentage of cash dividends in the total distributed profit (%)	100.00%
Cash dividend policy:	
The Company is in the development stage and has a substantial plan of cash expenditure. In the current profit distribution, cash dividends shall account for at least 20%.	
Details about the plan for profit distribution and capitalizing capital reserves into share capital	
As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, in 2022, the parent company of the Company realized net profit of RMB9,597,855,108.17, the withdrawal of statutory surplus reserve is RMB42,954,964.00, adding the undistributed profit of the parent company at the beginning of the year of RMB 37,958,561,319.89 deducting the cash dividends of RMB8,489,887,847.10 in 2021, adding back RMB6,864,285.00 of the unpaid dividends for the repurchased restricted shares, as of December 31, 2022, the profits distributable to shareholders of the parent company amounted to RMB39,030,437,901.96. As of December 31, 2022, the profits distributable to shareholders in the consolidated statement were RMB49,460,240,986.49 (consolidated). To sum up, according to the principle of "whichever is lower", the profits distributable to shareholders this year was	

RMB39,030,437,901.96.

Based agree on the Company's current total share capital of 9,363,932,789 shares, the Company proposed to distribute cash dividend of RMB7 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil. The above scheme will distribute a total cash dividend of RMB6,554,752,952.30, and the remaining undistributed profits will be transferred to the next year.

XI. The Implementation of an Equity Incentive Plan, Employee Stock Incentive Plan, or other Incentive Plans

Applicable Inapplicable

1. Share Incentive

(1) During the reporting period, the Company completed the grant of the 2021 Restricted Share Incentive Scheme.

On December 30, 2021, proposals were reviewed and approved by the 7th Meeting of the 5th session of the Board of Directors of the Company, including the *2021 Restricted Stock Plan (Revised Draft) and its Summary and Proposal to the General Meeting of Shareholders to Authorize the Board of Directors to Manage Relevant Matters of the 2021 Restricted Share Incentive Scheme*, proposing the General Meeting of Shareholders to authorize the Board of Directors to implement relevant matters of the 2021 Restricted Share Incentive Scheme.

On January 18, 2022, the *Proposal on Granting Restricted Shares to Grantees under the 2021 Restricted Share Incentive Scheme* was reviewed and approved by the 8th Meeting of the 5th session of the Board of Directors and the 8th Meeting of the 5th session of the Board of Supervisors of the Company. Based on the relevant laws, regulations, department rules, and normative documents such as the *Measures for the Management of Equity Incentives of Listed Companies*, as well as *2021 Restricted Stock Plan (Revised Draft)* and related authorization approved by the 1st Extraordinary General Meeting of Shareholders in 2022, the Company has completed the share grant and registration of the 2021 Restricted Share Incentive Scheme. The grantees are 9,738 people, and the total amount of restricted shares granted is 97,402,605 shares, accounting for 1.04% of the total share capital of the Company before the grant. The granted shares were listed on February 11, 2022.

For details, please refer to the *Announcement on the Completion of the Grant of Shares under the 2021 Restricted Share Incentive Scheme* published by the Company on www.cninfo.com.cn on February 10, 2022 (No. 2022-011).

(2) During the reporting period, the Company has completed the second vesting, repurchase and cancellation of the 2018 restricted share incentive scheme.

On May 5, 2022, the 10th meeting of the 5th session of the Board of Directors and the 10th meeting of the 5th session of the Board of Supervisors reviewed and approved the *Proposal on the achievement of unlocking conditions for the second unlocking period of the 2018 restricted Share Incentive Scheme* and *Proposal on the Second Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme*, the Company has implemented the vesting of the total amount of 33,142,730 restricted shares for 5,533 grantees, and the vested shares were listed on May 18, 2022. Meanwhile, 2,288,095 restricted shares that did not meet the incentive conditions were repurchased and cancelled, and the repurchase and cancellation procedures were completed as of December 19, 2022. For details, please refer the *Indicative Announcement on Vesting, Listing and Circulation of Shares in the Second Vesting Period of the 2018 Restricted Share Incentive Scheme* (No. 2022-036) and the *Announcement on the Second Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme* (No. 2022-071) published by the Company on www.cninfo.com.cn on May 17, 2022 and December 19, 2022, respectively.

As of the end of the reporting period, the Company has a total amount of 130,734,463 granted but unvested shares, accounting for 1.39% of the Company's total share capital at the end of the reporting period.

The Company performs accounting treatments related to restricted share incentive plans in accordance with the requirements of *Accounting Standards for Business Enterprises No. 11-Share Payments* and other related accounting standards. The cost of the shares granted by the 2018 Restricted Share Incentive Scheme and the 2021 Restricted Share Incentive Scheme is amortized during the vesting period.

During the reporting period, the amortization cost of the Company's 2018 Restricted Share Incentive Scheme and the 2021 Restricted Share Incentive Scheme had no significant impact on the Company's financial status and operating results. For details, please refer to Financial Statement Note (XI)-Share-based Payment.

Equity incentives obtained by the directors and senior management of the Company

Applicable Inapplicable

Unit: Share

Name	Title	Restricted Shares held at the beginning of the period	Shares vested in the current period	Shares newly granted in the current period	Price for restricted shares granted (RMB per share)	Restricted Shares held at period-end
Hu Yangzhong	Director, CEO	0	0	-	-	0
Wu Weiqi	Director, Standing Deputy General Manager	0	0	-	-	0
He Hongli	Senior Deputy General Manager	0	0	-	-	0
Cai Changyang	Senior Deputy General Manager	0	0	-	-	0
Bi Huijuan	Senior Deputy General Manager	73,800	36,900	-	-	36,900
Xu Ximing	Senior Deputy General Manager,	118,200	59,100	90,000	29.71	149,100
Pu Shiliang	Senior Deputy General Manager	60,000	30,000	90,000	29.71	120,000
Jin Duo	Senior Deputy General Manager	0	0	-	-	0
Jin Yan	Senior Deputy General Manager, Person in Charge of Finance	66,000	33,000	80,000	29.71	113,000
Huang Fanghong	Senior Deputy General Manager, Secretary of the Board	66,000	33,000	80,000	29.71	113,000
Xu Peng	Senior Deputy General Manager	77,244	38,622	70,000	29.71	108,622
Guo Xudong	Senior Deputy General Manager	44,280	22,140	-	-	22,140
Total	--	505,524	252,762	410,000	--	662,762

Note:

- (1) Persons listed above are grantees who are senior executives that are the Company's incumbent senior executives.
- (2) During the reporting period, the Company has completed the grant of shares under the 2021 Restricted Share Incentive Scheme with the total amount of 97,402,605 shares, of which 410,000 of shares were granted to senior executives.
- (3) During the reporting period, the second restricted shares of the Company were vested under the 2018 Restricted Share Incentive Scheme with the total amount of 33,142,730 shares, of which 252,762 were vested by senior executives.

Assessment and incentive mechanism for the senior management

The Company has established a fairly sophisticated mechanism on employees' evaluation and incentive restraint, and has established a fair and transparent appraisal and incentive mechanism on senior management personnel and other various level management personnel and employees. The Company's Board of Directors has carried out annual appraisals of senior management members mainly based on annual target achievement index. The Board is responsible for appraisals of the general manager on the general manager's duty, capacity and performance of operation; and the general manager carried out appraisals of other senior management members on their operational management and implementation of relevant assignments. In 2022, senior management personnel carried out their duties diligently with good performance. In the face of multiple uncertainties in the business environment, they led the Company to firm confidence, focus on its own capabilities, and continue to promote the steady development of the Company.

2. The Implementation of Employee Stock Incentive Plan

Applicable Inapplicable

3. Other Incentive Plans

Applicable Inapplicable

XII. Construction and Implementation of Internal Control System during the Reporting Period

1. Construction and Implementation of Internal Control

The Company shall establish, improve and effectively implement internal control, further improve the construction of internal control system and strengthen internal audit supervision in accordance with the *Basic Standard for Enterprise Internal Control*, its associated Guidelines and other internal control supervision requirements. The Board of Directors of the Company truthfully discloses the internal control evaluation report. The Board of Supervisors supervises the establishment by the Board of Directors and its implementation of internal control. The management is responsible for organizing and leading the daily internal controls of the Company.

The Audit Committee of the Company under the Board of Directors inspects and supervises the scientificity, rationality, effectiveness and implementation of the Company's internal control system. At the same time, the Audit Committee has organized special work meetings to follow up on the implementation of major matters by the

financial center and internal audit department, and puts forward relevant requirements on the normativeness of internal control of the Company. The Company has set up an internal audit department under the Audit Committee of the Board of Directors, which is equipped with full-time personnel to independently carry out internal audits, supervise and inspect the effectiveness and rationality of internal control. The internal audit department is accountable and reports to the Audit Committee and reports on their work regularly. The internal audit department audits the risk profiles of the Company's business areas according to an annual audit plan. It highlights internal control defects and gives rational suggestions, and standardizes and supervises the operation and management of the Company.

During the reporting period, the Company continuously strengthened its self-evaluation and self-improvement on internal control. It continued to improve and thoroughly implement internal control in its departments and strengthened the awareness of compliance management, to ensure the effective implementation of the internal control system, improve the standard of the Company's operations, and promote the healthy and sustainable development of the Company. For more details, please refer to the *2022 Internal Control Self-Evaluation Report* disclosed by the Company on CNINFO website (www.cninfo.com.cn).

2. Any Significant Internal Control Deficiencies during the Reporting Period

Yes No

XIII. The Company's Management and Control of Subsidiaries during the Reporting Period

In strict adherence to the relevant laws and regulations such as the Authorization Management System and the regulations and normative documents of regulatory authorities, the Company considers and approves proposals on the acquisition and cancellation the registration of new subsidiaries, and exercises management powers over major matters of the subsidiaries in accordance with the requirements regarding assets control over the subsidiaries and the standard operations of the Company. At the same time, subsidiaries shall provide timely, complete and accurate information to the Company such as operating results, financial position and operating prospects, so that the Company can conduct scientific decision-making, supervision and coordination.

During the reporting period, the Company established two domestic subsidiaries and four overseas subsidiaries, acquired one subsidiary, and liquidated and cancelled three subsidiaries. All of this result in changes in the scope of its consolidation scope. For details, please refer to changes in the consolidation scope in Note (6) to the financial

statements.

XIV. Self-evaluation Report on Internal Control or Internal Control Audit Report

1. Self-evaluation Report on Internal Control

Disclosure date of full text of self-evaluation report on internal control		April 15, 2023
Disclosure index of full text of self-evaluation report on internal control		www.cninfo.com.cn
Proportion of assets evaluated in total assets		100.00%
Proportion of revenue evaluated in total revenue per consolidated financial statement		100.00%
Recognition standard of deficiencies		
Nature	Financial report level	Non-financial report level
Qualitative criteria	<p>Significant deficiency: A deficiency or a combination of deficiencies in internal control may prevent significant errors in financial reports from being identified or prevented, e.g.:</p> <ul style="list-style-type: none"> A. Invalid internal control environment; B. Fraud of directors, supervisors and senior management personnel on the financial report ; C. Significant errors identified by external auditors but not identified during the Company is operating; D. Invalid supervision of audit committee and internal audit system; E. Other deficiencies that may lead to the wrong judgement of financial statement reporter. <p>Important deficiency: A deficiency or a combination of deficiencies in internal control may prevent errors in financial report from being identified or prevented, although such deficiency is not significant, but require attention of the Board and Management, e.g.:</p> <ul style="list-style-type: none"> A. Application of accounting policies does not follow the enterprise accounting standard; B. No internal control systems for fraud; C. No control systems or system not effective for unusual or special transactions or no compensatory relevant control; D. One or more deficiencies which prevent the preparation of true and fair financial statements. <p>Normal deficiency: Not significant and not important deficiency.</p>	<p>Internal control deficiencies at non-financial report level are mainly identified by the likelihood of occurrence and the extent of impacts on operating effective in business.</p> <p>Significant deficiency: the high likelihood leading to significant reduction of working efficiency, or significant increase of uncertainty, or significant deviation from the expected target;</p> <p>Important deficiency: a higher likelihood leading to remarkable reduction of working efficiency, or remarkable increase of uncertainty, or remarkable deviation from the expected target;</p> <p>Normal deficiency: a low likelihood leading to reduction of working efficiency, or increase of uncertainty, or deviation from the expected target;</p>
Quantitative criteria	<p>Significant deficiency: potential errors 5% or more of total profits</p> <p>Important deficiency: potential errors 2% or more but below 5% of total profits</p> <p>Normal deficiency: potential errors is 2% or less of total profits</p>	<p>Significant deficiency: direct losses of assets is 5% or more of total profits</p> <p>Important deficiency: direct losses of assets is 2% or more but below 5% of total profits</p> <p>Normal deficiency: direct losses of assets</p>

		is below 2% of total profits
Number of significant deficiencies in financial report level		0
Number of significant deficiencies in non-financial report level		0
Number of important deficiencies in financial report level		0
Number of important deficiencies in non-financial report level		0

2. Internal Control Audit Report

Applicable Inapplicable

Deliberation Opinion Paragraph in Internal Control Audit Report	
We believe that Hangzhou Hikvision Digital Technology Co., Ltd. maintained effective internal control over financial reporting in all material aspects as of December 31 st 2022 in accordance with the <i>Basic Standard for Enterprise Internal Control</i> and other related regulations.	
Disclosure of internal control audit report	Disclose
Disclosure date of the full text of the internal control audit report	April 15, 2023
Disclosure index of full text of internal control audit report	www.cninfo.com.cn 2022 Internal Control Audit Report
Internal control audit opinion	Standard unqualified audit opinion
Whether there are material weakness of non-financial report	No

Whether the accounting firm issued an internal control audit report with a non-standard opinion

Yes No

Whether the internal control audit report issued by the accounting firm is consistent with the opinion of the self-evaluation report from the Board of Directors

Yes No

XV. Special Rectification Actions for Self-inspected Problems of Listed Companies

Applicable Inapplicable

Section V Environmental and Social Responsibility

I. Significant Environmental Issues

Whether the Company or any of its subsidiaries should be categorized as a critical pollutant enterprises published by environmental protection department

Yes No.

II. Social Responsibilities

For details, please refer to the Company's *2022 Social Responsibility Report* disclosed on CNINFO (www.cninfo.com.cn).

III. The Achievements of Poverty Alleviation and Rural Revitalization

During the reporting period, the Company did not conduct any targeted poverty alleviation and rural revitalization work.

Section VI Significant Events

I. Performance of Commitments

1. Complete and incomplete commitments of the Company and its actual controller, shareholders, related parties, acquirers, and other related parties for the commitments by the end of the reporting period.

√ Applicable □ Inapplicable

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
Commitments in offering documents or shareholding alterations	CETHIK Group Co., Ltd.	Commitments regarding horizontal competition and related party transactions	<p>1. Commitments in non-competition within the industry: In the period as controlling shareholders of the Hikvision, CETHIK and its controlling subsidiaries (excluding Hikvision and its subsidiaries, the same below) will not be engaged in such business that is competitive to Hikvision and its subsidiaries directly or indirectly.</p> <p>2. Commitments in decrease and regulation of transactions with related party: Zhejiang Haikang Group Co., Ltd. (hereinafter referred to as Haikang Group or actual controller) as the controlling shareholders of Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "Hikvision" or "Listed Company") are committed as below for the transactions with Hikvision:</p> <p>(1) Haikang Group will not make use of the controlling power to offer more favorable conditions to Hikvision than those to any independent third party in any fair market transactions in the cooperation with Hikvision.</p> <p>(2) Haikang Group will not make use of the controlling power to obtain the prior right to complete the transaction with Hikvision.</p> <p>(3) Haikang Group will not deal with Hikvision in not fair terms comparing to the market prices to prejudice the Company's interests.</p> <p>For unavoidable related transactions, the Company will observe the principles of justice and fairness to determine prices according to the market on the basis of equality, voluntarily. The Company will obey the Articles of Association and other regulatory documents related to the avoiding of issues</p>	October 29, 2013	Long-term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>about related transactions. The related transactions will go through approval procedures in accordance with related rules and complete legal procedures, fulfilling the information disclosure obligations in respect to the related transactions</p> <p>3. Commitment to the maintenance of the independence of the listed Company</p> <p>3.1 Commitment to Personnel Independence of the listed Company</p> <p>(1) Commitment that our general manager, deputy general manager, chief financial officer, secretary of the board and other members of senior management shall not assume any positions other than directors and supervisors or get any remuneration in CETHIK and/or any of its controlled entities; (2) Commitment in keeping the management of labor, human resources and issues related to remuneration of the listed Company independent from that of CETHIK;</p> <p>3.2 Commitment to the independence of the asset of the listed Company</p> <p>(1) Commitment to independent and complete asset of the listed Company</p> <p>(2) Commitment free of unlawful use of cash and asset of the listed Company by the controlling shareholders</p> <p>3.3 Commitment to financial independence of the listed Company</p> <p>(1) Commitment to an independent finance department with a team and accounting system;</p> <p>(2) Commitment to a regulated, independent accounting system and financial management system of the branches and subsidiaries</p> <p>(3) Commitment to maintaining accounts with banks independently of and not sharing any bank account with our controlling shareholders</p> <p>(4) Commitment that the financial staff shall not assume any positions in CETHIK</p> <p>(5) Commitment to paying taxes independently according to the law;</p> <p>(6) Commitment to implementing financial decisions independently</p> <p>3.4 The Company has set up an independent organizational structure which maintains its independent operations which is independent from that of CETHIK.</p> <p>3.5 Commitment to business Independence of the listed Company</p> <p>(1) The Company has the asset, personnel, aptitude and management capability</p>			

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>for independent and complete business operation. The Company has the ability to operate independently in the market.</p> <p>(2) Commitment in independence in both business and operations</p> <p>4. Regarding plans for the development and relevant commitment for the listed Company, Haikang Group has committed as below for the subsequent development of Hikvision according to the Securities Acts and relevant laws and rules,</p> <p>4.1 Currently the Company has no plan to change or make significant adjustments for principal business in the next 12 months;</p> <p>4.2 Currently the Company has no plan to sell, merge or operate with another Company for the assets and business of the listed Company or its subsidiaries in the next 12 months.</p> <p>4.3 Currently the Company has no plan to alter the Board of the Directors and senior management and no agreement with other shareholders about the appointment and removal of the directors or senior management. The team of Board of Directors and senior management will remain unchanged for the foreseeable future.</p> <p>4.4 Currently the Company has no plan to make significant changes to the Articles of Association for the listed Company.</p> <p>4.5 Currently the Company has no plan to make significant changes to the existing employee recruitment for the listed Company.</p> <p>4.6 Currently the Company has no plan to make significant changes for the dividend distribution plan for the listed Company.</p> <p>4.7 Currently the Company has no plan to make significant changes for business and organizational structure for the listed Company.</p>			
Commitments in Initial Public	Hangzhou Weixun Investment Management	Share restriction commitment	During Hu Yangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang,	May 17, 2010	Long term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
Offering or re-financing	Limited Partnership (later renamed as Hangzhou Weixun Equity Investment Partnership (Limited Partnership))		Wang Ruihong, Chen Junke's tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Weixun; within 6 months after abovementioned personnel's demission, should not transfer Hikvision's shares held under Weixun.			
	Hangzhou Kangpu Investment Limited Partnership (later renamed as Hangzhou Pukang Equity Investment Partnership (Limited Partnership))	Share restriction commitment	During Hu Yangzhong, Wu Weiqi, Gong Hongjia's tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Pukang; within 6 months after abovementioned personnel's demission, should not transfer Hikvision's shares held under Pukang.	May 17, 2010	Long term	Strict performance
	The Company's directors, supervisors and executive: Hu Yangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang, Wang Ruihong, Chen Junke	Share restriction commitment	During their tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Weixun; within 6 months after their demission, they should not transfer their shares held under Weixun.	May 17, 2010	Long term	Strict performance
	Directors, executive officers of the Company: Hu Yangzhong, Wu Weiqi	Share restriction commitment	During their tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Kangpu; within 6 months after their demission, they should not transfer their shares held under Kangpu.	May 17, 2010	Long term	Strict performance
	The Company's director Gong Hongjia's spouse,	Share restriction commitment	During Gong Hongjia's tenure of the Company's Board of Directors, supervisors and senior management personnel, Chen's annual shares transfer	May 17,	Long-term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
	Chen Chunmei		should not exceed 25% of total number of shares held under Kangpu; within 6 months after the demission of Gong Hongjia, Chen should not transfer her shares held under Kangpu.	2010		
	China Electronics Technology Group Corporation (later renamed as China Electronics Technology Group Co., Ltd.)	Commitment to avoid horizontal competition	To avoid any loss of the Company and other shareholders arising from any competing business, China Electronics Technology Group Corporation, the actual controller of the Company, issued Letters of non-competition on 18 September, 2008.	September 18, 2008	Long term	Strict performance
	Gong Hongjia; Hangzhou Weixun Investment Management Limited Partnership (later renamed as Hangzhou Weixun Equity Investment Partnership (Limited Partnership)); Hangzhou Kangpu Investment Limited Partnership (later renamed as Hangzhou Pukang Equity Investment Partnership (Limited Partnership)); ZheJiang Orient Holdings Co., Ltd.	Commitment to avoid horizontal competition	To avoid any loss of the Company and other shareholders arising from any competing business, Gong Hongjia, Hangzhou WeiXun Investment Management Limited Partnership, ZheJiang Orient Holdings Co., Ltd. and Hangzhou KangPu Investment Management Limited Partnership, the promoters of the Company, issued <i>Commitment Letters of non-competition in the same industry</i> on 10 July, 2008.	July 10, 2008	Long term	Strict performance
Other commitments (commitments)	Hangzhou Hikvision Digital Technology Co., Ltd.	Commitment relating to the spin-off of EZVIZ	Arrangement on trading restriction and commitment to voluntarily restrict shares relating to the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board, for details, please refer to the appendix VI	December 28, 2022	Within 36 months from	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
relating to the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board)		Network to be listed on the Science and Technology Innovation Board	<i>of the Prospectus on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Hangzhou EZVIZ Network Co., Ltd.</i> published by EZVIZ Network on the website of Shanghai Stock Exchange (www.sse.com.cn): commitments relating to investor protection.		the date of issuing and listing of EZVIZ Network	
			Commitment relating to the intention to hold shares and the intention to reduce holdings of shares of EZVIZ Network of the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board, for details, please refer to the appendix VI <i>of the Prospectus on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Hangzhou EZVIZ Network Co., Ltd.</i> published by EZVIZ Network on the website of Shanghai Stock Exchange (www.sse.com.cn): commitments relating to investor protection.	December 28, 2022	Within 2 years from the end date of shares restriction period of EZVIZ Network	Strict performance
			Commitments and initiatives to stabilize the stock price of EZVIZ Network, to repurchase shares of EZVIZ Network, to guarantee no fraud in listing of EZVIZ Network, to make compensation for diluted spot return, to undertake compensation or liability in accordance with the law, to have constraints for failing to fulfill commitments, to avoid intra-industry competition, to regulate and reduce related party transactions, to avoid capital occupation, and to keep system independent after the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board. For details, please refer the <i>Prospectus on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Hangzhou EZVIZ Network Co., Ltd.</i> published by EZVIZ Network on the website of Shanghai Stock Exchange (www.sse.com.cn): commitments relating to investor protection.	December 28, 2022	Long term	Strict performance
Whether the commitments is fulfilled in time	Yes					

- 2. Where any profit forecast was made for any of the Company's assets or projects and the current reporting period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the profit forecast and why:**

Applicable Inapplicable

Commitments made by the Company's shareholders and counterparties in the operating performance of the reporting year

Applicable Inapplicable

II. The Company's Funds Used by the Controlling Shareholder or Other Related Parties for Non-operating Purposes

Applicable Inapplicable

No such case during the current reporting period.

III. Illegal Provision of Guarantees for External Parties

Applicable Inapplicable

No such case in the current reporting period.

IV. Explanation Given by the Board of Directors regarding the Latest "Non-standard Auditor's Report"

Applicable Inapplicable

V. Explanation Given by the Board of Directors, Supervisory Committee and Independent Directors (if applicable) regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Current Reporting Period

Applicable Inapplicable

VI. For Changes in Accounting Policies, Accounting Estimates or Correction of Significant Accounting Errors Compared with the Financial Report for the Prior Year

Applicable Inapplicable

For details, please refer to the Note (III) 32.

VII. Explanation for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year

Applicable Inapplicable

During the reporting period, the Company established two domestic subsidiaries and four overseas subsidiaries, acquired one subsidiary, and liquidated and cancelled three subsidiaries. All of this result in changes in the scope of its consolidation scope. For details, please refer to changes in the consolidation scope in Note (6) to the financial statements.

VIII. Engagement and Disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for the domestic CPA firm (RMB'0000)	400
Consecutive years of the audit service provided by the domestic CPA firm	7
Name of the certified public accountants from the domestic CPA firm	Tang Lianjiong, Cai Jin
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Tang Lianjiong has provided audit service for 4 consecutive years; Cai Jin has provided audit service for 1 consecutive year.

Whether the CPA firm was changed in the current period

Yes No

Whether to reappoint a CPA firm during the audit

Yes No

Engagement of internal control audit CPA firm, financial advisor or sponsor

Applicable Inapplicable

During the reporting period, the Company hired Deloitte Touche Tohmatsu Certified Public Accountants LLP as the internal control audit accounting firm, and paid a total of RMB 600,000 of internal control audit fees during the period.

IX. Delisting after Disclosure of this Annual Report

Applicable Inapplicable

X. Bankruptcy and Restructuring

Applicable Inapplicable

No such case during the reporting period.

XI. Material Litigations and Arbitration

Applicable Inapplicable

The Company had no material litigation or arbitration during the current reporting period.

XII. Punishments and Rectifications

Applicable Inapplicable

No such case during the reporting period.

XIII. Integrity of the Company and its Controlling Shareholders and Actual Controllers

Applicable Inapplicable

XIV. Significant Related-party Transaction

1. Related-party Transactions Arising from Routine Daily Operations

√ Applicable □ Inapplicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller	Procurement	Procurement, receiving services	Reference market price agreed by both parties	223,452.42	4.74%	500,000	No	Payment on delivery	April 16, 2022	<i>Announcement on the forecast of daily related-party transactions in 2022 (No. 2022-022)</i>
Joint ventures	Joint ventures held by the Company	Procurement			507.17	0.01%	700	No	Payment on delivery		
Associated companies	Associated companies held by the Company	Procurement			41,798.96	0.89%	120,100	No	Payment on delivery		
Enterprises with directors, supervisors, senior executives and related natural persons of the Company serving as directors	Enterprises with directors, supervisors, senior executives and related natural persons of the Company serving as directors	Procurement			159,840.63	3.39%	225,150	No	Payment on delivery		
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Sales	Providing services, selling	Reference market price	44,718.66	0.54%	70,000	No	Payment on delivery	April 16, 2022	<i>Announcement on the forecast of daily</i>

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Joint ventures	Joint ventures held by the Company	Sales	products, commercial goods	agreed by both parties	7,775.12	0.09%	32,500	No	Payment on delivery		<i>related-party transactions in 2022 (No. 2022-022)</i>
Associated companies	Associated companies held by the Company	Sales			8,714.97	0.10%	28,000	No	Payment on delivery		
Enterprises with directors, supervisors, senior executives and related natural persons of the Company serving as directors	Enterprises with directors, supervisors, senior executives and related natural persons of the Company serving as directors	Sales			1,123.36	0.01%	3,910	No	Payment on delivery		
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Lease	Renting house from related parties	Reference market price agreed by both parties	-	0.00%	50	No	Based on contract	-	-
Joint ventures	Joint ventures held by the Company	Lease			54.26	0.17%	200	No	Based on contract	-	-
Total					487,985.56	-	980,610	-	-	-	-
Details on significant sales return			None								
Total amount of related transactions projected based on different categories, and the actual performance during the current reporting period (if any)			The above trading quotas include newly increased forecast quota amount of RMB4,000,000 for procurement and receiving services from joint ventures, amount of RMB2,100,000 for selling products, commercial goods, and providing services from enterprises with directors, supervisors, senior executives and related natural persons of the Company serving as directors, and amount of RMB2,500,000 for renting houses from subsidiaries or research institutes of CETC and joint ventures. Those forecast quota amount								

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
			has been approved by the Chairman the Company according to related regulations and the Company's <i>Management System of Related Transaction</i> .								
		Reasons on significant difference between trading price and market referencing price (if applicable)	Not applicable								

2. Related-party Transactions regarding Purchase and Disposal of Assets or Equity

Applicable Inapplicable

No such case in the reporting period.

3. Significant Related-party Transactions Arising from Joint Investments on External Parties

Applicable Inapplicable

No such case in the reporting period.

4. Related Credit and Debt Transactions

Applicable Inapplicable

No related-parties' creditor's rights or debts during the reporting period.

5. Transactions with Related Financial Companies

Applicable Inapplicable

Deposit business

Related Party	Relationship	Maximum daily deposit limit (0,000 RMB)	Deposit interest rate range	Opening Balance (0,000 RMB)	Amount incurred (0,000 RMB)		Closing Balance(0,000 RMB)
					Total deposit amount for the current period (0,000 RMB)	Total withdrawal amount for the current period (0,000 RMB)	
CETC Finance Co., Ltd.	Under the common control of the Company's ultimate controller	1,307,892.85	0.3%-2%	450,000.67	414,089.37	464,086.69	400,003.35

Credit or other financial services

Related Party	Relationship	Business Type	Total Amount (0,000 RMB)	Actual amount incurred (0,000 RMB)
CETC Finance Co., Ltd.	Under the common control of the Company's ultimate controller	Credit	300,000.00	3,332.25

Note: The above occurred amount is the amount of bill discount occurred by the Group in CETC Finance Co., Ltd. in the reporting

period.

6. Transactions between the Financial Company Controlled by the Company and Related Parties

Applicable Inapplicable

There is no deposit, loan, credit or other financial business between the financial company controlled by the Company and its related parties.

7. Other Significant Related Party Transactions

Applicable Inapplicable

On October 22, 2021, the 6th meeting of the 5th session of the Board of Directors of the Company reviewed and approved the *Proposal on Investing in the Establishment of Venture Investment Partnerships and Related Transactions*, agreeing that the Company, CETHIK Group Co., Ltd., Hangzhou High-tech Venture Capital Management Ltd., and CETHIK (Hangzhou) Equity Investment Management Ltd. jointly invested and established Hangzhou Haina Yuzhi Venture Investment Partnership Enterprise (Limited Partnership)(hereinafter referred to as "Haina Yuzhi Fund"). The scale of Haina Yuzhi Fund is RMB 600 million, of which Hikvision, as a limited partner, invested RMB 400 million yuan in currency, holding 66.6666% of the total shares. On January 29, 2022, in accordance with the requirements of the *Securities Investment Fund Law* and *Interim Measures for the Supervision and Administration of Private Equity Fund*, the Hangzhou Fund co-established by the Company, completed the private equity investment fund filing procedures in the Asset Management Association of China (AMAC), and obtained the *Filing Certificate of Private Investment Fund*.

Disclosure website for provisional reports on significant related-party transactions:

Title of provisional reports	Disclosure date	Disclosure website
<i>Announcement on Investing in the Establishment of Venture Investment Partnerships and Related Transactions</i> (Announcement No. 2021-064)	October 23, 2021	www.cninfo.com.cn
<i>Announcement on the Completion of the Filing Procedures of the Entrepreneurship Investment Partnership Enterprise Co-established by the Company</i> (Announcement No. 2022-013)	February 10, 2022	www.cninfo.com.cn

XV. Significant Contracts and Their Execution

1. Trusteeship, Contracting and Leasing

(1) Trusteeship

Applicable Inapplicable

No such case in the reporting period.

(2) Contracting

Applicable Inapplicable

No such case in the reporting period.

(3) Leasing

Applicable Inapplicable

2. Significant Guarantees

√Applicable □ Inapplicable

Unit: RMB'0000

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Hikvision Technology Ltd.	April 16, 2022	1,136,000	December 1, 2019	698,266.86	Joint guarantee	2019.12.01-2025.09.25	No	No
Urumqi HaiShi Xin'An Electronic Technology Ltd.	April 16, 2022	37,000	March 26, 2019	21,037.00	Joint guarantee	2019.03.26-2028.06.20	No	No
LuoPu HaiShi DingXin Electronic Technology Ltd.	April 16, 2022	29,000	March 26, 2019	21,440.00	Joint guarantee	2019.03.26-2035.03.26	No	No
PiShan HaiShi YongAn Electronic Technology Ltd.	April 16, 2022	28,000	March 26, 2019	20,678.00	Joint guarantee	2019.03.26-2040.03.26	No	No
Moyu HaiShi Meitian Electronic Technology Ltd.	April 16, 2022	24,000	March 26, 2019	17,000.00	Joint guarantee	2019.03.26-2035.03.26	No	No
Hangzhou Hikvision System Technology Ltd.	April 16, 2022	70,000	March 23, 2021	12,252.16	Joint guarantee	2021.03.23-2024.03.30	No	No
Yutian HaiShi Meitian Electronic Technology Ltd.	April 16, 2022	30,000	March 26, 2019	9,480.00	Joint guarantee	2019.03.26-2034.03.26	No	No
Hangzhou Hikvision Electronic Ltd.	April 16, 2022	45,000	November 20, 2021	810.84	Joint guarantee	2021.11.20-2024.03.30	No	No
Chongqing Hikvision Technology Ltd.	April 16, 2022	30,000	March 23, 2021	4,131.14	Joint guarantee	2021.03.23-2024.03.30	No	No
Shijiazhuang Hikvision Technology Ltd.	April 16, 2022	20,000	December 28, 2022	1.00	Joint guarantee	2022.08.01-2025.07.31	No	No

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related party or not
Nanjing Hikvision Digital Technology Ltd.	April 16, 2022	15,000	June 30, 2022	3,853.70	Joint guarantee	2022.06.28-2023.06.27	No	No
Xi'an Hikvision Digital Technology Ltd.	April 16, 2022	28,000	September 29, 2022	4,421.14	Joint guarantee	2022.09.29-2024.02.23	No	No
Hikvision Singapore Pte. Ltd.	April 16, 2022	107,200	July 15, 2021	-	Joint guarantee	2021.07.15-2022.08.24	Yes	No
Hikvision International Co., Ltd.	April 16, 2022	37,800	Not happened during the reporting period					
Hikvision Europe B.V.	April 16, 2022	5,100	Not happened during the reporting period					
Wuhan Hikvision Technology Ltd.	April 16, 2022	33,000	Not happened during the reporting period					
Shanghezicheng Technology Ltd.	April 16, 2022	20,000	Not happened during the reporting period					
Zhenping county Haikang Juxin Digital Technology Ltd.	April 16, 2022	19,000	Not happened during the reporting period					
Hikvision Technology Pte. Ltd.	April 16, 2022	12,600	Not happened during the reporting period					
Zhengzhou Hikvision Digital Technology Ltd.	April 17 th 2021	10,000	Not happened during the reporting period					
Hefei Hikvision Digital Technology Ltd.	April 16, 2022	10,000	Not happened during the reporting period					
Hikvision Digital Technology (Shanghai) Ltd.	April 16, 2022	10,000	Not happened during the reporting period					
Chengdu Hikvision Digital Technology Ltd.	April 16, 2022	10,000	Not happened during the reporting period					
Nanchang Hikvision Digital Technology Ltd.	April 16, 2022	8,000	Not happened during the reporting period					
Chongqing Hikvision System Technology Ltd.	April 16, 2022	5,000	Not happened during the reporting period					
Fuzhou Hikvision Digital Technology Ltd	April 16, 2022	5,000	Not happened during the reporting period					

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related party or not
.Hikvision UK Limited	April 16, 2022	1,900				Not happened during the reporting period		
PT. Hikvision Technology Indonesia	April 16, 2022	1,400				Not happened during the reporting period		
Wuhan Haikang Technology Ltd.	April 16, 2022	1,000				Not happened during the reporting period		
Hikvision FZE	April 16, 2022	650				Not happened during the reporting period		
Hikvision Turkey Technology And Security Systems Commerce JSC	April 16, 2022	350				Not happened during the reporting period		
Total guarantee cap for subsidiaries approved during the reporting period(B1)			1,790,000.00	Total actual guarantee amount for subsidiaries during the reporting period(B2)				1,405,623.60
Total approved guarantee cap for subsidiaries at the end of the reporting period(B3)			1,790,000.00	Total actual guarantee balance for subsidiaries at the end of the reporting period(B4)				813,371.84
Guarantees provided by the Company's subsidiary to another subsidiary								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related
Hangzhou Haikang Intelligent Technology Ltd.	April 16, 2022	80,000	March 14, 2022	14,388.69	Joint guarantee	2022.03.14-2023.11.30	No	No
Hangzhou Hikmicro Intelligent Technology Ltd.	April 16, 2022	32,000	March 14, 2022	2,350.70	Joint guarantee	2022.03.14-2023.03.13	No	No
Chongqing EZVIZ Electronic Ltd.	April 16, 2022	32,000	August 18, 2022	800.00	Joint guarantee	2022.08.18-2023.08.18	No	No

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Hikrobot Automation Ltd.	April 16, 2022	145,000				Not happened during the reporting period		
Hangzhou Hikmicro Software Ltd.	April 16, 2022	105,000				Not happened during the reporting period		
Hangzhou Hikstorage Technology Ltd.	April 16, 2022	10,000				Not happened during the reporting period		
Zhejiang Hikfire Technology Ltd	April 16, 2022	3,000				Not happened during the reporting period		
Zhejiang Zhiyuan Fire Safety Engineering Ltd.	April 16, 2022	3,000				Not happened during the reporting period		
Total guarantee cap for subsidiaries approved during the reporting period (C1)			410,000.00	Total actual guarantee amount for subsidiaries during the reporting period (C2)				20,525.33
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)			410,000.00	Total actual guarantee balance for subsidiaries at the end of the reporting period(C4)				17,539.39
The total amount of Company's guarantees (that is, the total of the first three items)								
Total guarantee cap approved during the reporting period (A1+B1+C1)			2,200,000.00	Total actual guarantee amount during the reporting period (A2+B2+C2)				1,426,148.93
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)			2,200,000.00	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)				830,911.23
Portion of the total actual guarantee (A4+B4+C4) amount in net assets of the Company								12.15%
Of which:								

Guarantees provided by the Company to its subsidiaries									
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related party or not	
The balance of guarantee for shareholders, actual controllers and their affiliates. (D)									0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)									808,368.24
Total amount of guarantee exceeding 50% of net assets (F)									0
Total guarantee amount of the above-mentioned 3 kinds of guarantees (D+E+F)									808,368.24

3. Entrusted Others to Manage Cash Assets

(1) Entrusted financial management

Applicable Inapplicable

No such case during the reporting period

(2) Entrusted loan management

Applicable Inapplicable

No such case during the reporting period

4. Other Significant Contracts

Applicable Inapplicable

No such case during the reporting period

XVI. Other Significant Events

√ Applicable □ Inapplicable

1. Investment in Fixed Assets

On January 18, 2022, the 8th meeting of the 5th session of the Board of Directors of the Company deliberated and approved the *Proposal on the Investment and Construction of HikRobot Products' Industrial Base Project by the Company's Holding Subsidiary*, and approved the Company's innovative business, a holding subsidiary of the Company, Hangzhou Hikrobot Technology Co., Ltd. (hereinafter referred to as "HikRobot") to invest self-raised funds of RMB 1.1661 billion to build the above project. The project undertaker is HikRobot. For details, please refer to the *Announcement on the Investment and Construction of HikRobot Products' Industrial Base Project by the Company's Holding Subsidiary* published by the Company on chino website (www.cninfo.com.cn) on January 19, 2022 (Announcement No. 2022-007). On October 8, 2022, HikRobot won the use right of the state-owned construction land for the project with a total of RMB28.34 million. On October 19, 2022, HikRobot and Hangzhou Planning and Natural Resources Bureau signed the *Contract for Assigning the Right to Use State-owned Construction Land* and obtained *Building Construction Permit*. On November 9, 2022, the project obtained *Filing Certificate for Piling Construction in Advance*, and is currently in the stage of pile foundation construction.

On January 18, 2022, the 8th meeting of the 5th session of the Board of Directors of the Company deliberated and approved the *Proposal on the Investment and Construction of Infrared Thermal Imaging Products' Industrial Base Project by the Company's Holding Subsidiary*, and approved the Company's innovative business, a holding subsidiary of the Company, Hangzhou Hikmicro Sensing Technology Co., Ltd. (hereinafter referred to as "HikMicro") to invest self-raised funds of RMB 1.28018 billion to build the above project. The project undertaker is HikMicro's wholly-owned subsidiary, Hangzhou Micro image Software Ltd (hereinafter referred to as "HikMicro Software"). For details, please refer to the *Announcement on the Investment and Construction of Infrared Thermal Imaging Products' Industrial Base Project by the Company's Holding Subsidiary* published by the Company on cninfo website (www.cninfo.com.cn) on January 19, 2022

(Announcement No. 2022-008). On October 8, 2022, HikMicro Software won the use right of the state-owned construction land for the project with a total of RMB29.60 million. On October 19, 2022, HikMicro Software and Hangzhou Planning and Natural Resources Bureau signed *the Contract for Assigning the Right to Use State-owned Construction Land* and obtained *Building Construction Permit*. On November 29, 2022, the project obtained *Filing Certificate for Piling Construction in Advance*, and is currently in the stage of pile foundation construction.

On January 18, 2022, the 8th meeting of the 5th session of the Board of Directors of the Company deliberated and approved the *Proposal on the Investment and Construction of Hikrobot Intelligent Manufacturing (Tonglu) Base Project by the Company's Holding Subsidiary*, and approved the Company's innovative business, a holding subsidiary of the Company, HikRobot to invest self-raised funds of RMB 1.53422 billion to build the above project. The project undertaker is HikRobot's wholly-owned subsidiary, Hangzhou Hikrobot Intelligence Ltd. (hereinafter referred to as "HikRobot Intelligence", which was renamed on July 25, 2022, and the former name is Hangzhou Hikrobot Automation Ltd.) For details, please refer to the *Announcement on the Investment and Construction of Hikrobot Intelligent Manufacturing (Tonglu) Base Project by the Company's Holding Subsidiary* published by the Company on cninfo website (www.cninfo.com.cn) on January 19, 2022 (Announcement No. 2022-009). On August 25, 2022, HikRobot Intelligence won the use right of the state-owned construction land for the project with a total of RMB52.52 million. On September 9, 2022, HikRobot Intelligence and Tonglu Planning and Natural Resources Bureau signed *the Contract for Assigning the Right to Use State-owned Construction Land*.

On January 18, 2022, the 8th meeting of the 5th session of the Board of Directors of the Company deliberated and approved the *Proposal on the Investment and Construction of Hikvision Global Warehousing and Logistics Center Project*, and approved the Company to invest self-raised funds of RMB 1.28605 billion to build the above project. The project undertaker is Hangzhou Hikvision Electronics Co., Ltd. (hereinafter referred to as "Electronics Company"), which is a holding subsidiary of Hikvision. For details, please refer to the *Announcement on the Investment and Construction of Hikvision Global Warehousing and Logistics Center Project* (Announcement No. 2022- 010). On January 24, 2022, the Electronics Company won the use right of the state-owned construction land for the project (Phase I) with a total of RMB 53.77 million. On February 10, 2022, the Electronics Company and Tonglu Planning and Natural Resources Bureau signed the Contract for Assigning the Right to Use State-owned Construction Land. On June 10, 2022, the project (Phase I) completed the process of obtaining the *Building Construction*

Permit for the warehousing construction and started to construct.

2. Repurchase of the Company's Public Shares

On September 15, 2022 and October 10, 2022, the Company held the 13th meeting of the 5th session of the Board of Directors and the second extraordinary general meeting of shareholders in 2022 respectively, deliberated and approved the *Proposal on the Plan of Repurchase Part of the Company's Public Shares*, approved the Company using its own fund to repurchase part of its RMB common shares (A shares) that have been issued domestically by means of centralized bidding through the trading system of the SZSE, the aggregate amount of repurchase funds shall not exceed RMB2.5 billion (inclusive) and not less than RMB 2 billion (inclusive), the repurchase price shall not exceed RMB40 per share (inclusive), the implementation period of the repurchase shall not exceed 12 months from the date of the general meeting of shareholders of the Company at which the proposal on the plan of repurchase part of the Company's public shares is reviewed and approved, and the Company will make repurchase decisions and implement them based on market conditions during the repurchase period. The shares repurchased by the Company will be cancelled for reducing the registered capital according to law. For details, please refer to the *Announcement on Resolutions of 13th Meeting of the 5th Session of the Board of Directors* (Announcement No.: 2022-049), the *Announcement on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-050), the *Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2022* (Announcement No.: 2022-056), the *Report on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-057) published by the Company on cninfo website (www.cninfo.com.cn) on September 16, 2022 and October 11, 2022. On October 11, 2022, the Company first repurchased 6,820,968 shares of the Company by means of centralized bidding through a dedicated securities account for the repurchase, accounting for 0.0723% of the Company's total share capital at that time. The highest transaction price was RMB29.65 per share, the lowest transaction price was RMB28.71 per share, and the total transaction amount was RMB199,981,024.67 (excluding transaction fees). For details, please refer to the *Announcement on the Initial Repurchase of the Company's Shares* (Announcement No.: 2022-059) published by the Company on cninfo website (www.cninfo.com.cn) on October 12, 2022. During the repurchase period, the Company disclosed the progress of repurchase as of the end of last month within the first three trading days each month based on the regulation. For details, please refer to the *Announcement on the Progress of Repurchase* (Announcement No.: 2022-063) (Announcement No.: 2022-066) published by the Company on cninfo website (www.cninfo.com.cn) on November 2, 2022, December 3, 2022, respectively. As of

December 30, 2022, the repurchase of shares had been completed, and the actual repurchase date was between October 11, 2022 and December 30, 2022, meet the requirement on implementation period of repurchase in repurchase plan. As of December 30, 2022, the Company used the dedicated securities account for share repurchase to cumulatively repurchase shares with the total amount of 66,987,835 shares by means of centralized bidding, accounting for 0.7103% of the Company's total share capital at that time (9,430,920,624 shares). The highest transaction price was RMB35.13 per share, the lowest transaction price was RMB26.83 per share, and the total transaction amount was RMB2,043,476,488.53 (excluding transaction fees). The source of share-repurchase funding was from the Company's own fund, and the price of repurchase did not exceed the upper limit of the price (RMB40 per share) specified in the repurchase plan. The repurchase complies with relevant laws, regulations and rules from the disclosed repurchase plan. For details, please refer to the *Announcement on the Progress and Result of Repurchase of the Company's Shares and Changes in Shares* (Announcement No.: 2023-001) published by the Company on cninfo website (www.cninfo.com.cn) on January 4, 2023. On January 13, 2023, the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Corporation Ltd., with the total amount of 66,987,835 shares, accounting for 0.7103% of the Company's total share capital before the cancellation (9,430,920,624 shares), and the number of cancelled shares is equal to the number of actual repurchased shares. After the completion of the repurchase and cancellation of shares, the Company's total share capital changes from 9,430,920,624 shares to 9,363,932,789 shares. For details, please refer to the *Announcement on the Completion of the Cancellation of the Company's Repurchased Shares and Changes in Shares* (Announcement No.: 2023-002) published by the Company on cninfo website (www.cninfo.com.cn) on January 17, 2023.

XVII. Significant Events of the Company's Subsidiaries

√ Applicable □ Inapplicable

1. Matters Relating to the Completion of the Spin-off of EZVIZ Network to be Listed on the Science and Technology Innovation Board of Shanghai Stock Exchange

On January 8, 2021, the *Proposal on the Spin-off of the Company's Subsidiary Hangzhou EZVIZ Network Ltd. to be Listed on the Science and Technology Innovation Board* was deliberated and adopted by the 21st Meeting of the fourth session of the Board of Directors and the 18th Meeting of the fourth session of the Board of Supervisors of the Company. On June 23, 2021, the *Proposal on Overall Restructure the Company's Holding Subsidiary, Hangzhou EZVIZ Network Ltd., to A Company Limited by Shares* was deliberated and adopted by the 3rd Meeting of the Strategy Committee in 2021 of the 5th session of the Board of Directors of the Company. On June 24, 2021, Hangzhou EZVIZ Network Ltd. as a whole was restructured and changed to a company limited by shares. On July 2, 2021, Zhejiang Securities Regulatory Bureau of China Securities Regulatory Commission accepted the application filed by Hangzhou EZVIZ Network Co., Ltd. (hereinafter referred to as EZVIZ Network) for initial public offering of A shares and pre-listing counseling for listing on the Science and Technology Innovation Board. On August 10, 2021, the 4th meeting of the 5th session of the Board of Directors and the 4th meeting of the 5th session of the Board of Supervisors reviewed and approved the *Proposal on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of the Subsidiary, Hangzhou EZVIZ Network Co., Ltd. (revised draft)*. On September 27, 2021, the Company's Second Extraordinary General Meeting in 2021 reviewed and approved the proposal to spin-off EZVIZ Network to be listed on the Science and Technology Innovation Board. On December 13, 2021, EZVIZ Network submitted the application materials for the initial public shares offering and listing on the STAR Market of the Shanghai Stock Exchange. On January 11, 2022, the Shanghai Stock Exchange (hereinafter referred to as "SSE") issued the *Inquiry Letter on Review of Application Documents for Initial Public Share Offering and Listing on the Science and Technology Innovation Board* (Shang Zheng Ke Shen (Review) [2022] No. 11). EZVIZ Network has submitted the *Reply to the Inquiry Letter on the Review of Hangzhou EZVIZ Network Co., Ltd.'s Application Documents for Initial Public Share Offering and Listing on the Science and Technology Innovation Board* on March 15, 2022, and is currently updating the 2021 financial statements. The above spin-off matters are subject to (including but not limited to) the approval of the SSE and the implementation of the issuance registration procedures of the China Securities Regulatory Commission. On June 6, 2022, according to the *Announcement on the Results of the 46th Review Meeting of the Listing Committee of the SSE STAR Market in 2022* issued by the Shanghai Stock Exchange, the review result is: Hangzhou EZVIZ Network Co., Ltd. (initial offering) meets the conditions for issuing and listing, as well as requirements for information disclosure. EZVIZ Network's initial public offering of shares and its application for listing on the SSE STAR Market was reviewed and approved by the SSE STAR Market's Listing Committee. For details, please refer to *Announcement on the Initial Public*

Offering of Shares by Hangzhou EZVIZ Network Co., Ltd., a Subsidiary of the Company, and its Application for Listing on the SSE STAR Market was Reviewed and Approved by the SSE STAR Market's Listing Committee published by the Company on the cninfo website (www.cninfo.com.cn) on June 7, 2022 (Announcement No.: 2022-038). On October 22, 2022, *Approval of the registration of the initial public offering of Hangzhou EZVIZ Network Co., Ltd.* was published by the China Securities Regulatory Commission (hereinafter referred to as "CSRC"), approving the application for registration of EZVIZ Network's initial public offering of shares on the SSE STAR Market. For details, please refer the *Announcement on the Initial Public Offering of Shares by Hangzhou EZVIZ Network Co., Ltd., a Subsidiary of the Company, and its Application for Listing on the SSE STAR Market was Registered and Approved by the China Securities Regulatory Commission* (Announcement No.: 2022-065) published by the Company on the cninfo website (www.cninfo.com.cn) on November 23, 2022. On December 28, 2022, EZVIZ Network was listed on the SSE STAR Market.

2. Matters Relating to Steady Promotion of the Spin-off of HikRobot to be Listed on the SZSE ChiNext Market

On December 30, 2021, the 7th meeting of the 5th session of the Board of Directors of the Company deliberated on and approved the *Proposal on Authorizing Company Management to Begin Preparatory Work for the Split-off and Domestic Listing of Subsidiary, Hangzhou Hikrobot Technology Ltd.*, which authorized the management of the Company to begin preparatory work for the Split-off and domestic listing of subsidiary Hangzhou Hikrobot Technology Ltd.. For details, please refer to the *Announcement on Authorizing Company Management to Begin Preparatory Work for the Split-off and Domestic Listing of Subsidiary Hangzhou Hikrobot Technology Ltd.* published by the Company on cninfo website (www.cninfo.com.cn) on December 31, 2021 (Announcement No. 2021-074). On June 10, 2022, the 11th meeting of the 5th session of the Board of Directors and the 11th meeting of the 5th session of the Board of Supervisors reviewed and approved the relevant proposals including *Proposal on the Initial Public Offering of Shares by Hangzhou Hikrobot Technology, Ltd., a Subsidiary of the Company, and Listing on the SZSE ChiNext Market*, and *Plan on Spin-off of Hangzhou Hikrobot Technology Co., Ltd., a subsidiary of the Company, and Listing on the SZSE ChiNext Market*. Approved the initial public offering of RMB common shares (A shares) and listing on the SZSE ChiNext Market of the subsidiary, Hangzhou Hikrobot Technology Ltd., after completing the joint-stock system reform. For details, please refer to the *Plan on Spin-off of Hangzhou Hikrobot Technology Ltd., a Subsidiary of the Company, and Listing on the SZSE ChiNext Market* published by the Company on June 11, 2022 on cninfo website (www.cninfo.com.cn). On July 20, 2022, the 5th meeting of the 5th session of the

Board of Directors' Strategy Committee in 2022 reviewed and approved the *Proposal on the Change the Hangzhou Hikrobot Technology Ltd., a Holding Subsidiary of the Company, to A Company Limited by Shares* On July 21, 2022, Hangzhou Hikrobot Technology Ltd was restructured to a company limited by shares as a whole. On December 9, the *Proposal on Hangzhou Hikvision Digital Technology Co., Ltd.'s Plan on the Spin-off of Hangzhou Hikrobot Technology Co., Ltd., a subsidiary of the Company, and Listing on the SZSE ChiNext Market (revised draft)* was reviewed and approved by the 15th meeting of the 5th session of the Board of Directors and the 14th meeting of the 5th session of the Board of Supervisors. On December 26, 2022, the Company's 3rd Extraordinary General Meeting in 2022 reviewed and approved the relevant proposals on the spin-off of Hangzhou Hikrobot Technology Co., Ltd. to be listed on the SZSE ChiNext Market. On March 7th 2023, Hangzhou Hikrobot Co., Ltd. (hereinafter referred to as "HikRobot") received *Notice on Accepting the Application Documents for the Initial Public Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd.* (SZSE Listing Review [2023] No. 252) issued by Shenzhen Stock Exchange, and SZSE considered that application documents were completed and decided to accept. For details, please refer to the *Announcement on the Application for the Initial Public Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd., a Subsidiary of the Company, is Accepted by the SZSE* (Announcement No.: 2023-008) published by the Company on cninfo website (www.cninfo.com.cn) on March 8, 2023.

Section VII Changes in Shares and Information about Shareholders

I. Changes in Share Capital

1. Table of Changes in Share Capital

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	215,314,570	2.31%	97,402,605			-57,468,669	39,933,936	255,248,506	2.71%
1) State holdings									
2) Shares held by state-owned corporates									
3) Shares held by other domestic investors	215,200,030	2.31%	97,266,605			-57,411,399	39,855,206	255,055,236	2.70%
Including: held by domestic corporations									
held by domestic individuals	215,200,030	2.31%	97,266,605			-57,411,399	39,855,206	255,055,236	2.70%
4) Shares held by overseas investors	114,540	0.00%	136,000			-57,270	78,730	193,270	0.00%
Including: held by overseas corporations									
held by overseas individuals	114,540	0.00%	136,000			-57,270	78,730	193,270	0.00%
2. Shares without restriction	9,120,491,544	97.69%				55,180,574	55,180,574	9,175,672,118	97.29%
1) RMB ordinary shares	9,120,491,544	97.69%				55,180,574	55,180,574	9,175,672,118	97.29%
2) Domestically listed foreign shares									

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
3) Foreign shares listed overseas									
4) Others									
3. Total	9,335,806,114	100.00%	97,402,605			-2,288,095	95,114,510	9,430,920,624	100.00%

Note: the tailing difference of the data in the table above is due to rounding to two decimal.

Reason for the changes in share capital

Applicable Inapplicable

(1) During the Reporting Period, the Company Completed the Grant of the 2021 Restricted Share Incentive Scheme

On December 30, 2021, proposals were reviewed and approved by the 7th Meeting of the 5th session of the Board of Directors of the Company, including the *2021 Restricted Stock Plan (Revised Draft) and its Summary and Proposal to the General Meeting of Shareholders to Authorize the Board of Directors to Manage Relevant Matters of the 2021 Restricted Share Incentive Scheme*, proposing the General Meeting of Shareholders to authorize the Board of Directors to implement relevant matters of the 2021 Restricted Share Incentive Scheme.

On January 18, 2022, the *Proposal on Granting Restricted Shares to Grantees under the 2021 Restricted Share Incentive Scheme* was reviewed and approved by the 8th Meeting of the 5th session of the Board of Directors and the 8th Meeting of the 5th session of the Board of Supervisors of the Company. Based on the relevant laws, regulations, department rules, and normative documents such as the *Measures for the Management of Equity Incentives of Listed Companies*, as well as *2021 Restricted Stock Plan (Revised Draft)* and related authorization approved by the 1st Extraordinary General Meeting of Shareholders in 2022, the Company has completed the share grant and registration of the 2021 Restricted Share Incentive Scheme. The grantees are 9,738 people, and the total amount of restricted shares granted is 97,402,605 shares, accounting for 1.04% of the total share capital of the Company before the grant. The granted shares were listed on February 11, 2022, and the total

share capital of the Company increased by 97,402,605 shares from 9,335,806,114 shares to 9,433,208,719 shares.

For details, please refer to the *Announcement on the Completion of the Grant of Shares under the 2021 Restricted Share Incentive Scheme* published by the Company on www.cninfo.com.cn on February 10th 2022 (No. 2022-011).

(2) During the reporting period, the Company has completed the second vesting, repurchase and cancellation of the 2018 restricted share incentive scheme.

On May 5, 2022, the 10th meeting of the 5th session of the Board of Directors and the 10th meeting of the 5th session of the Board of Supervisors reviewed and approved the *Proposal on the achievement of unlocking conditions for the second unlocking period of the 2018 restricted Share Incentive Scheme* and *Proposal on the Second Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme*, the Company has implemented the vesting of the total amount of 33,142,730 restricted shares for 5,533 grantees, and the vested shares were listed on May 18, 2022. Meanwhile, 2,288,095 restricted shares that did not meet the incentive conditions were repurchased and cancelled, and the repurchase and cancellation procedures were completed on December 19, 2022, and the total share capital of the Company decreased by 2,288,095 shares from 9,433,208,719 shares to 9,430,920,624 shares.

For details, please refer the *Indicative Announcement on Vesting, Listing and Circulation of Shares in the Second Vesting Period of the 2018 Restricted Share Incentive Scheme* (No. 2022-036) and the *Announcement on the Second Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme* (No. 2022-071) published by the Company on www.cninfo.com.cn on May 17, 2022 and December 19, 2022, respectively.

Approval for changes in share capital

Applicable Inapplicable

(1) The Grant of the 2021 Restricted Share Incentive Scheme

On December 30, 2021, proposals were reviewed and approved by the 7th Meeting of the 5th session of the Board of Directors of the Company, including the *2021 Restricted Stock Plan (Revised Draft) and its Summary* and *Proposal to the General Meeting of Shareholders to Authorize the Board of Directors to Manage Relevant*

Matters of the 2021 Restricted Share Incentive Scheme, proposing the General Meeting of Shareholders to authorize the Board of Directors to implement relevant matters of the 2021 Restricted Share Incentive Scheme. On January 18, 2022, the *Proposal on Granting Restricted Shares to Grantees under the 2021 Restricted Share Incentive Scheme* was reviewed and approved by the 8th Meeting of the 5th session of the Board of Directors and the 8th Meeting of the 5th session of the Board of Supervisors of the Company. Based on the relevant laws, regulations, department rules, and normative documents such as the *Measures for the Management of Equity Incentives of Listed Companies*, as well as *2021 Restricted Stock Plan (Revised Draft)* and related authorization approved by the 1st Extraordinary General Meeting of Shareholders in 2022, the Company has completed the share grant and registration of the 2021 Restricted Share Incentive Scheme. The grantees are 9,738 people, and the total amount of restricted shares granted is 97,402,605 shares, accounting for 1.04% of the total share capital of the Company before the grant. The granted shares were listed on February 11, 2022.

(2) The Second Vesting, Repurchase and Cancellation of the 2018 Restricted Share Incentive Scheme

On May 5, 2022, the 10th meeting of the 5th session of the Board of Directors and the 10th meeting of the 5th session of the Board of Supervisors reviewed and approved the *Proposal on the achievement of unlocking conditions for the second unlocking period of the 2018 restricted Share Incentive Scheme* and *Proposal on the Second Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme*, the Company has implemented the vesting of the total amount of 33,142,730 restricted shares for 5,533 grantees, and the vested shares were listed on May 18, 2022. Meanwhile, 2,288,095 restricted shares that did not meet the incentive conditions were repurchased and cancelled, and the repurchase and cancellation procedures were completed on December 19, 2022.

Transfer for changes in share capital

Applicable Inapplicable

(1) The Grant of the 2021 Restricted Share Incentive Scheme

On February 11, 2022, the restricted shares of the 2021 Restricted Share Incentive Scheme were listed, and the total amount of restricted shares granted is 97,402,605 shares. The total share capital of the Company increased by 97,402,605 shares from 9,335,806,114 shares to 9,433,208,719 shares.

(2) The Second Repurchase and Cancellation of the 2018 Restricted Share Incentive Scheme

On December 19, 2022, the second repurchase and cancellation procedures of the granted but unvested restricted shares under the 2018 Restricted Share Incentive Scheme were completed, and the total amount of repurchased and cancelled restricted shares is 2,288,095. The total share capital of the Company decreased by 2,288,095 shares from 9,433,208,719 shares to 9,430,920,624 shares.

Effects of changes in share capital on the basic earnings per share ("EPS"), diluted EPS, net assets per share attributable to common shareholders of the Company, and other financial indexes over the last year and last period

Applicable Inapplicable

Other contents that the Company considers necessary or required by the securities regulatory authorities to disclose

Applicable Inapplicable

2. Changes in Restricted Shares

Applicable Inapplicable

Unit: Share

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Vesting date
Grantees of restricted share incentive plan (consolidated)	68,762,683	97,402,605	35,430,825	130,734,463	Restricted shares of share incentive scheme. The granted 97,402,605 restricted shares under the 2021 Restricted Share Incentive Scheme were listed.	May 18, 2022
Qu Liyang	11,812	0	0	11,812	Restricted shares for senior executives	According to the relevant

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Vesting date
Wang Qiuchao	26,250	0	0	26,250	Restricted shares for senior executives	regulations on the management of executive shares
Xu Lirong	227,250	0	0	227,250	Restricted shares for senior executives	
Hu Yangzhong	116,434,858	0	0	116,434,858	Restricted shares for senior executives	
Wu Weiqi	6,473,317	0	0	6,473,317	Restricted shares for senior executives	
He Hongli	248,625	0	0	248,625	Restricted shares for senior executives	
Cai Changyang	82,125	0	0	82,125	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Xu Ximing	29,550	59,100	0	88,650	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Bi Huijuan	130,950	36,900	0	167,850	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Pu Shiliang	161,925	30,000	0	191,925	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Jin Duo	82,125	0	0	82,125	Restricted shares for senior executives	
Jin Yan	147,000	33,000	0	180,000	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Huang Fanghong	235,875	33,000	0	268,875	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Xu Peng	0	19,311	0	19,311	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Vesting date
Guo Xudong	0	11070	0	11,070	Restricted shares for senior executives + partial of the vested restricted shares turning into restricted shares for senior executives	
Total	193,054,345	97,624,986	35,430,825	255,248,506	--	--

Note:

- Executives who are grantees under incentive restricted shares scheme, his/her holding incentive restricted shares are counted within the "Grantees of restricted share incentive plan (consolidated)" on the first row.
- On February 11, 2022, the restricted shares of the 2021 Restricted Share Incentive Scheme were listed, and the actual total amount of restricted shares granted is 97,402,605 shares.
- The total amount of vested shares of the "Grantees of restricted share incentive plan (consolidated)" in current period is 35,430,825 shares, including 33,142,730 vested shares and 2,288,095 repurchased and cancelled shares of the 2018 Restricted Share Incentive Scheme.

II. Issuance and Listing of Securities

1. Securities (exclude Preferred Share) Issued during the Reporting Period

√Applicable Inapplicable

Type of stocks and derivative securities	Issue date	Issue Price (or rate)	Issue amount (share)	Listing date	Listing approved amount (share)	Terminal date of transaction	Disclosure index	Disclosure date
Shares								
Restricted shares	February 11, 2022	RMB29.71/share	97,402,605	February 11, 2022	97,402,605		www.cninfo.com.cn	February 10, 2022

2. Explanation on Changes in Total Share Capital, the Structure of Shareholders, and the Structure of Assets and Liabilities of the Company

√Applicable Inapplicable

- The Grant of the 2021 Restricted Share Incentive Scheme

On February 11, 2022, the restricted shares of the 2021 Restricted Share Incentive Scheme were listed, and the total amount of restricted shares granted is 97,402,605 shares. The total share capital of the Company increased by 97,402,605 shares from 9,335,806,114 shares to 9,433,208,719 shares.

(2) The Second Repurchase and Cancellation of the 2018 Restricted Share Incentive Scheme

On December 19, 2022, the second repurchase and cancellation procedures of the granted but unvested restricted shares under the 2018 Restricted Share Incentive Scheme were completed, and the total amount of repurchased and cancelled restricted shares is 2,288,095. The total share capital of the Company decreased by 2,288,095 shares from 9,433,208,719 shares to 9,430,920,624 shares.

3. Existent Shares Held by Internal Staff of the Company

Applicable Inapplicable

III. Particulars about the Shareholders and Actual Controller

1. Total Number of Shareholders and Their Shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period		408,327		The total number of ordinary shareholders at the end of the previous month before the disclosure date of the annual report			329,519	
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total ordinary shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or marked or frozen	
							Status	Amount
China Electronics Technology HIK Group Co., Ltd.	Domestic state-owned corporation	36.09%	3,403,879,509	-	-	3,403,879,509	Pledged	50,000,000

Gong Hongjia	Overseas individual	10.21%	962,504,814	-	-	962,504,814	Pledged	71,270,000
Hangzhou Weixun Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned corporation	4.78%	450,795,176	-	-	450,795,176	Pledged	28,900,000
Shanghai Perseverance Asset Management Partnership (Limited Partnership) - Perseverance Adjacent Mountain 1 Yuanwang Fund	Other	4.58%	432,000,000	228,200,000	-	432,000,000	-	-
CETC Investment Holdings Co., Ltd.	Domestic state-owned corporation	2.46%	232,307,903	-	-	232,307,903	-	-
Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned corporation	1.94%	182,510,174	-	-	182,510,174	Pledged	132,033,000
The 52 nd Research Institute at China Electronics Technology Group Corporation	Domestic state-owned corporation	1.92%	180,775,044	-	-	180,775,044	-	-
Hu Yangzhong	Domestic individual	1.65%	155,246,477	-	116,434,858	38,811,619	-	-
Central Huijin Investment Co., Ltd.	Domestic state-owned corporation	0.69%	64,700,691	-	-	64,700,691	-	-
Hong Kong Securities Clearing Company Ltd.(HKSCC)	Overseas corporation	0.55%	51,463,834	-34,667,773	-	51,463,834	-	-

Explanation on associated relationship or concerted actions among the above-mentioned shareholders:	China Electronics Technology HIK Group Co., Ltd., CETC Investment Holdings Co., Ltd., and the 52 nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Corporation. Ms. Chen Chunmei, limited partner of Hangzhou Pukang Equity Investment Partnership (Limited Partnership), is the spouse of Mr. Gong Hongjia, overseas individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding shares in both Hangzhou Weixun Equity Investment Partnership (Limited Partnership) and Hangzhou Pukang Equity Investment Partnership (Limited Partnership). Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Administrative Measures for Acquisitions of Listed Companies</i> .		
Special explanation on the existence of dedicated securities account among the Top 10 shareholders	As of the end of the reporting period, there is a dedicated securities account for repurchase among the Top 10 shareholders, "A dedicated securities account for repurchase of Hangzhou Hikvision Digital Technology Co., Ltd.", which held 66,987,835 shares of the Company, accounting for 0.71% of the Company's total share capital at the end of the reporting period.		
Particulars about shares held by the Top 10 shareholders holding shares that are not subject to trading restriction(s)			
Name of shareholder	Number of shares without trading restrictions held at the period-end	Type of shares	
		Type	Number
China Electronics Technology HIK Group Co., Ltd.	3,403,879,509	RMB ordinary shares	3,403,879,509
Gong Hongjia	962,504,814	RMB ordinary shares	962,504,814
Hangzhou Weixun Equity Investment Partnership (Limited Partnership)	450,795,176	RMB ordinary shares	450,795,176
Shanghai Perseverance Asset Management Partnership (Limited Partnership) - Perseverance Adjacent Mountain 1 Yuanwang Fund	432,000,000	RMB ordinary shares	432,000,000
CETC Investment Holdings Co., Ltd.	232,307,903	RMB ordinary shares	232,307,903
Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	182,510,174	RMB ordinary shares	182,510,174
The 52 nd Research Institute at China Electronics Technology Group Co., Ltd.	180,775,044	RMB ordinary shares	180,775,044
Central Huijin Investment Co., Ltd.	64,700,691	RMB ordinary shares	64,700,691
Hong Kong Securities Clearing Company Ltd.(HKSCC)	51,463,834	RMB ordinary shares	51,463,834
Shanghai Chongyang Strategic Investment Ltd. – Chongyang Strategic Intelligence Fund	47,775,769	RMB ordinary shares	47,775,769

Explanation on associated relationship and concerted actions among Top 10 shareholders holding shares without trading restrictions, and among Top 10 shareholders and Top 10 shareholders holding shares without trading restrictions	China Electronics Technology HIK Group Co., Ltd., China Electronics Technology Investment Holdings Co., Ltd. and The 52nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Co. Ltd. Ms. Chen Chunmei, limited partner of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding shares in both Xinjiang Weixun Investment Management Limited Partnership and Xinjiang Pukang Investment Limited Partnership. Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure of the Shareholding Changes of Shareholders of the Listed Company</i> .
Special explanation on the existence of dedicated securities account among the Top 10 shareholders holding shares without trading restrictions	As of the end of the reporting period, there is a dedicated securities account for repurchase among the Top 10 shareholder holding shares without trading restrictions, "A dedicated securities account for repurchase of Hangzhou Hikvision Digital Technology Co., Ltd.", which held 66,987,835 shares of the Company, accounting for 0.71% of the Company's total share capital at the end of the reporting period.
Information on Top 10 shareholders of ordinary shares participating in margin trading and short selling business	Shanghai Chongyang Strategic Investment Ltd. – Chongyang Strategic Intelligence Fund, a shareholder, held 43,418,969 shares of the Company in a margin account.

Any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conducted any agreed buy-back in the reporting period?

Yes No

No such case during the current reporting period.

2. Particulars about Controlling Shareholder of the Company

Nature of the controlling shareholder: Central State-owned

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
China Electronics Technology HIK Group Co., Ltd.	Chen Zongnian	November 29, 2002	9133000014306073XD	Industrial investment; R&D of environmental protection products, network products, intelligent products and electronic products; technology transfer, technical services, manufacturing and sales; business consulting services, rental services of self-owned real estate; import and export businesses.

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period	Directly holds 47.16% shares of domestic listed company Phoenix Optical Co. Ltd., and indirectly holds 17.32% shares of domestic listed company Hangzhou EZVIZ Network Co., Ltd. (China Electronics Technology HIK Group Co., Ltd.holds 36.09% shares of the Company and the Company holds 48.00% shares of Hangzhou EZVIZ Network Co., Ltd).			

Change of the controlling shareholder during the reporting period

Applicable Inapplicable

The Company's controlling shareholder has not changed during the reporting period.

3. Particulars about the Company's Actual Controller & Concerted Parties

Nature of the actual controller: Central state-owned assets management agency

Type of the actual controller: Corporation

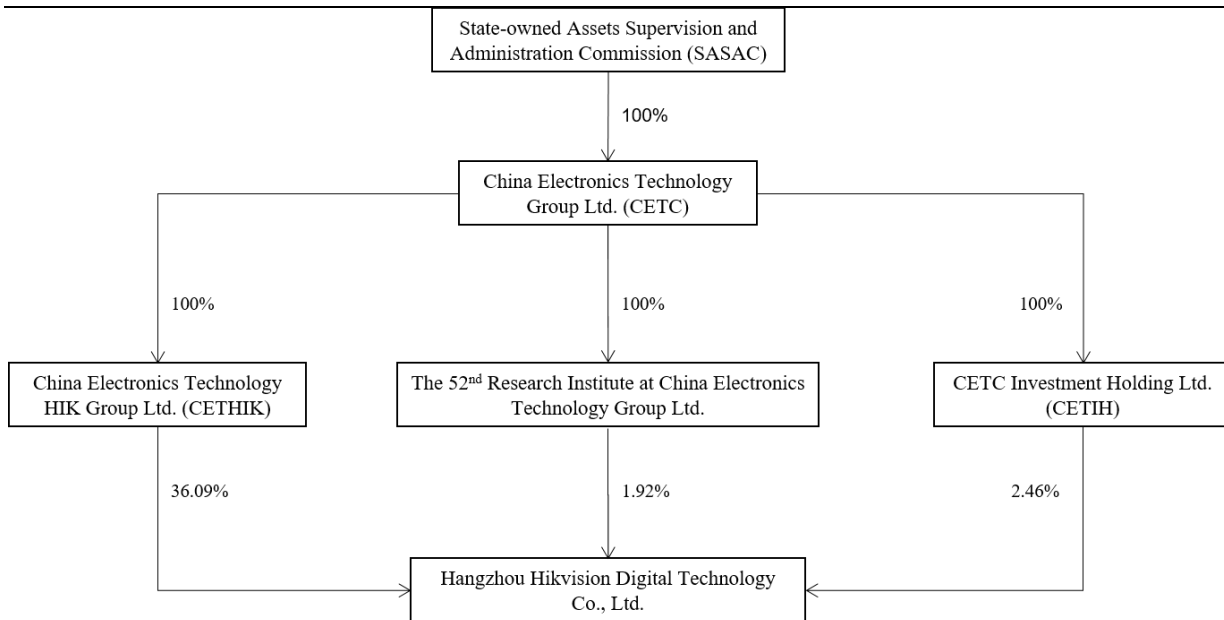
Name of the actual controller	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
China Electronics Technology Group Ltd.	Chen Zhaoxiong	February 25, 2002	91110000710929498G	The Company is responsible for the development and manufacturing of military electronic equipment and systems integration, electronic equipment for weapon platform, military software and electronic basic products; and the construction of national defense electronic information infrastructure and safeguard conditions; construction of national major electronic information system; the research, development, production and sales of civil electronic information software, materials, components, equipment and system integration and related common technology; self-operated and agent import and export business of various commodities and technologies (except for goods and technologies that are restricted or restricted by the state-limited company); operating feed processing and "three comes one supplement" business; operating counter trade and entrepot trade; Industrial investment; asset management; engaged in e-commerce information services; organization of enterprises in the industry to go abroad, participate in exhibitions. (Market entities independently choose business projects and carry out business activities in accordance with the law; for projects subject to approval according to law, business activities are carried out according to the approved content after approval by relevant departments; the Company cannot engage in business activities of projects prohibited or restricted by national and municipal industrial policies.)
Shares held by the actual controlling shareholder in other listed companies through controlling or holding during the reporting period	China Electronics Technology Group Ltd. is the actual controller of 16 domestic listed companies including Sun Create Electronic Co., Ltd, CETC Digital Technology Co., Ltd, CETC Cyberspace Security Technology Co., Ltd., CETC Putian Technology Co., Ltd., Tai'ji Computer Corporation Limited, GLARUN Technology Co., Ltd. , Phoenix Optics Co., Ltd., Chengdu Tianao Electronic Co., Ltd., CETC Acoustic-Optic-Electronic Technology Inc., Hebei Sinopack Electronic Technology Co., Ltd., Eastern Communications Co.,Ltd., Eastcompeace Technology Co.,Ltd., Nanjing Putian Telecommunications Co., Ltd., Chengdu Siwei Science and Technology Co., Ltd., Nanjingand Guobo Electronics Co., Ltd., and Hangzhou EZVIZ Network Co., Ltd. and etc.			

Change of the actual controller during the reporting period

Applicable Inapplicable

No such change during the reporting period.

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows:



The actual controller controls the Company through trust or other asset management methods

Applicable Inapplicable

4. The Company's Controlling Shareholder or the Largest Shareholder and its Concerted Action Person's Cumulative Pledged Shares Account for 80% of the Company's Shares Held by Them

Applicable Inapplicable

5. Particulars about Other Corporate Shareholders with Shareholding Proportion over 10%

Applicable Inapplicable

6. Particulars on Shareholding Decrease Restrictions for the Controlling Shareholders, Actual Controller, Restructurer or Other Committing Parties

Applicable Inapplicable

IV. The Specific Implementation of Share Repurchase during the Reporting Period

Implementation progress of share repurchase

Applicable Inapplicable

Disclosure Date	Planned repurchase amount of shares	Proportion to total share capital	Planned amount of repurchase fund	Repurchase period	Use of repurchase	Amount of repurchased shares (share)	The number of repurchased shares as a proportion of the underlying stock covered by the share incentive scheme
September 16, 2022	Calculated based on that the repurchase price shall not exceed RMB40 per share. The amount shall not exceed 62,500,000 shares and not less than 50,000,000 share, and the final result is subject to the actual repurchase.	Calculated based on that the repurchase price shall not exceed RMB40 per share. The repurchased portion of shares shall not exceed 0.66% and not less than 0.53%, and final result is subject to the actual repurchase.	Shall not exceed RMB2.5 billion (inclusive) and not less than RMB 2 billion (inclusive)	October 11, 2022 – December 30, 2022	Cancel and reduce registered capital in accordance with law	66,987,835	Inapplicable

On September 15, 2022 and October 10, 2022, the Company held the 13th meeting of the 5th session of the Board of Directors and the second extraordinary general meeting of shareholders in 2022 respectively, deliberated and approved the *Proposal on the Plan of Repurchase Part of the Company's Public Shares*, approved the Company using its own fund to repurchase part of its RMB common shares (A shares) that have been issued domestically by means of centralized bidding through the trading system of the SZSE, the aggregate amount of repurchase funds shall not exceed RMB2.5 billion (inclusive) and not less than RMB 2 billion (inclusive), the repurchase price shall not exceed RMB40 per share (inclusive), the implementation period of the repurchase shall not exceed 12 months from the date of the general meeting of shareholders of the Company at which the proposal on the plan of repurchase part of the Company's public shares is reviewed and approved, and the Company will make repurchase decisions and implement them based on market conditions during the repurchase period. The shares repurchased by the Company will be cancelled for reducing the registered capital according to law. For details, please refer to the *Announcement on Resolutions of 13th Meeting of the 5th Session of the Board of Directors* (Announcement No.: 2022-049), the *Announcement on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-050), the *Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2022* (Announcement No.: 2022-056), the *Report on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-057) published by the Company on cninfo website (www.cninfo.com.cn) on September 16, 2022 and October 11, 2022. On October 11, 2022, the Company first repurchased 6,820,968 shares of the Company by means of centralized bidding through a dedicated securities account for the repurchase, accounting for 0.0723% of the Company's total share capital at that time. The highest transaction price was RMB29.65 per share, the lowest transaction price was RMB28.71 per share, and the total transaction amount was RMB199,981,024.67 (excluding transaction fees). For details, please refer to the *Announcement on the Initial Repurchase of the Company's Shares* (Announcement No.: 2022-059) published by the Company on cninfo website (www.cninfo.com.cn) on October 12, 2022. During the repurchase period, the Company disclosed the progress of repurchase as of the end of last month within the first three trading days each month based on the regulation. For details, please refer to the *Announcement on the Progress of Repurchase* (Announcement No.: 2022-063) (Announcement No.: 2022-066) published by the Company

on cninfo website (www.cninfo.com.cn) on November 2, 2022, December 3, 2022, respectively. As of December 30, 2022, the repurchase of shares had been completed, and the actual repurchase date was between October 11, 2022 and December 30, 2022, meet the requirement on implementation period of repurchase in repurchase plan. As of December 30, 2022, the Company used the dedicated securities account for share repurchase to cumulatively repurchase shares with the total amount of 66,987,835 shares by means of centralized bidding, accounting for 0.7103% of the Company's total share capital at that time (9,430,920,624 shares). The highest transaction price was RMB35.13 per share, the lowest transaction price was RMB26.83 per share, and the total transaction amount was RMB2,043,476,488.53 (excluding transaction fees). The source of share-repurchase funding was from the Company's own fund, and the price of repurchase did not exceed the upper limit of the price (RMB40 per share) specified in the repurchase plan. The repurchase complies with relevant laws, regulations and rules from the disclosed repurchase plan. For details, please refer to the *Announcement on the Progress and Result of Repurchase of the Company's Shares and Changes in Shares* (Announcement No.: 2023-001) published by the Company on cninfo website (www.cninfo.com.cn) on January 4, 2023. On January 13, 2023, the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Ltd., with the total amount of 66,987,835 shares, accounting for 0.7103% of the Company's total share capital before the cancellation (9,430,920,624 shares), and the number of cancelled shares is equal to the number of actual repurchased shares. After the completion of the repurchase and cancellation of shares, the Company's total share capital changes from 9,430,920,624 shares to 9,363,932,789 shares. For details, please refer to the *Announcement on the Completion of the Cancellation of the Company's Repurchased Shares and Changes in Shares* (Announcement No.: 2023-002) published by the Company on cninfo website (www.cninfo.com.cn) on January 17, 2023.

Implementation progress of reduce holdings of repurchased shares by means of centralized bidding

Applicable Inapplicable

Section VIII Information of Preferred Shares

Applicable Inapplicable

There is no preferred share existed for the Company during the current reporting period.

Section IX Bonds

Applicable Inapplicable

Section X Financial Report

Audit Report

Audit Opinion	Standard unqualified audit opinion
Audit Report sign-off Date	April 13, 2023
Audit Institution Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Audit Report Number	Deloitte Auditors' Report (Audit) No. 23- P04048
Certified Public Accounts Name	Tang Lianjiong, Cai Jin

To all shareholders of Hangzhou Hikvision Digital Technology Co., Ltd.:

1. Audit Opinion

We have audited the accompanying financial statements of Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "Hikvision" or "The Group"), including consolidated and parent company's balance sheet as of December 31, 2022, consolidated and parent company's income statement, cash flow statement and statement of changes in owners' equity of 2022 as well as relevant financial notes to financial statements.

In our opinion, the financial statements annexed have been prepared in accordance with Accounting Standards for Business Enterprises in all material respects and they present fairly the consolidated and parent company's financial position of Hikvision as of December 31, 2022 and consolidated and parent company's financial performance and cash flows of 2022.

2. Basis of Opinion

We have conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. "Responsibilities of Certified Public Accountants for Financial Statements Audit" in the audit report further states our responsibilities under the standards. As per the code of ethics of Chinese certified public accountants, we are independent from Hikvision and have implemented other responsibilities as required by the code of ethics. We believe that the audit evidence we have acquired is sufficient and appropriate to provide a basis for our audit opinion.

3. Key Matters

Key matters are matters we deem the most significant to the financial statements audit for the current period based on our professional judgment. These matters are handled based on the financial statements audit as a whole and the audit opinion formed accordingly. We don't present opinions separately on these matters. We confirm that the following matters are key matters to be communicated through in the audit report.

1) Recognition of Sales Revenues

Description:

As shown in Note (V) 45, the operating revenue in 2022 in the consolidated financial statements of the Group for the year ended December 31, 2022 is RMB83,166,321,681.14. The product sales revenue, a key performance indicator, reaches RMB78,971,234,689.44, accounting for 94.96% of the operating revenue, which is a significant indicator and has a significant influence on results of operations. The product sales revenue models include product domestic sales and product export sales by domestic companies and the overseas sales of overseas subsidiaries; the domestic sales of products by domestic companies and the overseas sales of overseas subsidiaries are completed when the control of the goods is transferred, i.e. when the products are delivered to the other party's designated location, or the other party completed acceptance; while for the export of products of domestic companies, the delivery of the goods to the carrier designated by the other party at the port of shipment specified in the contract within the specified time limit is the time point for the transfer of control of the goods. The timing of the transfer of control rights under each revenue model is different may result in a material misstatement of revenue recognition. Therefore, we regard the occurrence of sales revenue as a key audit matter.

Audit Measures:

Main audit procedures that we perform for the aforesaid key audit matters include:

- (1) Understanding and evaluating design and implementation of key internal control in relation to revenue recognition, and testing the effectiveness of its operation;
- (2) For revenues under different sales models, selecting a sample to check the sales contract, reviewing its main transaction terms, evaluating whether revenue recognition complies with requirements of accounting policies of the Group and the Accounting Standards for Business Enterprises;
- (3) Analyzing revenues and gross profits based on product types, to understand whether there are abnormal fluctuations in the revenues and gross profits for the year, and conducting a test of details for identified specific transactions, through systematic analysis of revenue data, and reviewing relevant supporting documents;
- (4) Selecting sample(s) from product sales revenues recorded for the year, checking invoices, sales contracts or orders, shipping orders, signature forms, and other supporting documents; for the sample(s) of income under the export model of the selected domestic companies, additional inspections will be made to the customs declaration record and shipment record.

2) Provision for Credit Loss of Accounts Receivable

Description:

As disclosed in Note (V) 4 to the consolidated financial statements of the Group, as of December 31, 2022, the balance of accounts receivable amounted to RMB32,404,999,921.01, and the balance of provision for credit losses of accounts receivable amounted to RMB 2,498,705,510.61. The book value of the Group's accounts receivable is relatively high, and the provision for credit loss of accounts receivable has a significant impact on the financial statements. As shown in Note (III) 10.2 and Note (III) 31 of the financial statements, the Group makes provisions for credit losses for accounts receivable at an amount equivalent to expected credit losses during the entire duration. For accounts receivable with significant individual amount and when the debtor has major financial difficulties, etc., the Group recognizes its credit losses based

on individual assets, and classifies other accounts receivable into different combinations based on common credit risk characteristics and calculates expected credit losses on a portfolio basis.

For accounts receivable classified into portfolios, the Group uses impairment matrix to determine the expected credit loss provision for accounts receivable. The expected credit loss provision ratio for each portfolio is determined based on the Group's historical overdue ratio and default and with reference to the forward-looking information of the industry. The accounting estimates above are subject to a high level of uncertainties. Therefore, we identify the recognition of credit loss provision for accounts receivable on a portfolio basis as a key audit matter.

Audit Measures:

Main audit procedures that we perform for the aforesaid key audit matters include:

- (1) Understanding and evaluating design and implementation of key internal control in relation to expected credit loss provision for accounts receivable by the Group, and testing the effectiveness of its operation;
- (2) Understanding the Group's accounting policies for expected credit loss on accounts receivable; for the model where the Group's management estimates expected credit loss provision for accounts receivable on a portfolio basis, we mainly performed the following procedures;
 - Assessing the rationality of measurement method by using impairment matrix model, and the rationality of the key parameters and assumptions used in the impairment matrix model, including classification of different portfolios, classification of stage, forward-looking adjustment, etc.;
 - Obtaining the historical default data used by the Group's management in determining the historical loss rate of accounts receivable, and evaluating the accuracy thereof;
 - Selecting samples to test the accuracy of the classification of portfolio and stage by the Group's management;
 - Recalculating the expected credit loss provision based on default loss percentage.

4. Other Information

Management of Hikvision shall be responsible for other information. Other information includes the information covered in the annual report, excluding the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information and we do not express any form of authentication conclusion on other information.

In connection with our audit of the financial statements, our responsibility is to read other information and to consider whether other information is significantly misstated or materially inconsistent with the financial statements or the information we learned during the audit.

Based on the works we have performed, if we determine that there is a material misstatement in other information, we should report the fact. In this respect, we have nothing to report.

5. Responsibility of the Management and Governance for the Financial Statements

The management of Hikvision is responsible for the preparation of financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation, and design, implementation and maintenance of necessary internal control to enable the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management is responsible for assessing the going-concern ability of Hikvision, disclosing issues related to going-concern as applicable, and applying going-concern assumptions, unless the management plans to liquidate Hikvision, terminate operation or has no other realistic choice.

The governance is responsible for supervising financial reporting processes of Hikvision.

6. Responsibility of Certified Public Accountants on Audit of the Financial Statements

Our objective is to obtain reasonable assurance as to whether the overall financial statements are free from material misstatement, whether due to fraud or error, and to issue audit report that contain audit opinions. Reasonable assurance is a high level of assurance, but could not guarantee that an audit performed in accordance with the Auditing Standards can always figure out any existing material misstatements. Misstatements may be caused by fraud or error. Misstatement is generally considered to be material if it is reasonably expected that the misstatement, alone or aggregated, may affect the users' financial decisions based on the financial statements.

In performing the audit in accordance with the Auditing Standards, we applied professional judgment and maintained professional skepticism. Meanwhile, we also perform the following duties:

- (1) Identify and evaluate the risk of material misstatement of financial statements due to fraud or error; design and implement audit procedures to cope with these risks, and obtain adequate and appropriate audit evidence as the basis for expressing audit opinions. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of not discovering a material misstatement due to error.
- (2) Understand the internal control related to auditing as a way to design appropriate audit procedures.
- (3) Evaluate the properness of accounting policy selected by the management and the rationality of accounting estimate and related disclosure.
- (4) Reach a conclusion on whether the going concern assumption adopted by the management is appropriate. Meanwhile, based on the audit evidence obtained, reach a conclusion on whether there are material uncertainties in the events or conditions that may cast significant doubts on Hikvision's ability to continue as a going concern. If we reach a conclusion that there is a material uncertainty, the Auditing Standards require us to call the attention of the users of the report to the relevant disclosures in the financial statements in the audit report. If the disclosure is insufficient, we should issue modified audit opinions. Our conclusion is based on the information available up to the date of the audit report. However, future events or conditions may result in the failure of Hikvision to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosure), structure and content of the financial statements and evaluate whether the financial statements fairly reflect the related transactions and events.
- (6) Obtain adequate and appropriate audit evidence on the financial information of entity or business activities of Hikvision so as to express audit opinions on the financial statements. We are responsible for directing, supervising and executing the audit on the Group, and assume full responsibility for the audit opinions.

We communicated with the governance about the scope of the audit, the schedule and major audit findings, including the notable shortcomings of internal control identified during the auditing.

We also provide statement to the governance on the independence-related work ethics we follow, and communicate with the governance on all relations and other matters that might be reasonably deemed to influence our independence as well as relevant precautionary measures (as applicable).

We determine which of the matters we communicated with the governance are of the greatest importance to the audit

of financial statements of the current period so as to make them key matters. We describe the matters in the audit report. We decide not to communicate on such matters in the audit report unless the laws and regulations forbid the public disclosure of such matters, or, in rare circumstances, if the negative consequence of communication of matters in the audit report is reasonably expected to exceed the benefit of the public interest.

On December 31, 2022

Consolidated Balance Sheet

Unit: RMB

Item	Notes	On December 31, 2022	On December 31, 2021
Current Assets:			
Cash and bank balances	(V)1	40,011,863,999.94	34,721,870,931.36
Held-for-trading financial assets	(V)2	12,807,438.36	34,320,010.83
Notes receivable	(V)3	2,519,988,159.23	1,522,760,905.30
Accounts receivable	(V)4	29,906,294,410.40	26,174,773,100.42
Receivables for financing	(V)5	1,484,218,258.74	1,316,035,122.06
Prepayments	(V)6	534,780,120.52	505,798,253.35
Other receivables	(V)7	516,503,485.58	359,620,445.88
Inventories	(V)8	18,998,222,978.81	17,974,112,407.60
Contract assets	(V)9	2,118,223,370.98	1,411,372,624.91
Non-current assets due within one year	(V)10	996,902,343.27	975,960,437.14
Other current assets	(V)11	806,832,941.58	1,022,600,377.78
Total Current Assets		97,906,637,507.41	86,019,224,616.63
Non-current Assets:			
Long-term receivables	(V)12	540,647,965.30	613,067,944.97
Long-term equity investment	(V)13	1,252,033,513.41	982,165,546.45
Other non-current financial assets	(V)14	423,893,239.94	438,724,172.22
Fixed assets	(V)15	8,539,842,630.68	6,695,590,671.27
Construction in progress	(V)16	3,770,803,300.80	2,323,336,098.68
Right-of-use assets	(V)17	574,478,326.31	566,393,672.75
Intangible assets	(V)18	1,544,933,502.19	1,304,247,415.07
Goodwill	(V)19	217,386,531.28	202,381,895.37
Long-term deferred expenses	(V)20	177,277,742.41	158,007,174.90
Deferred tax assets	(V)21	1,469,646,489.04	1,210,877,575.24
Other non-current assets	(V)22	2,815,702,012.70	3,350,526,411.63
Total Non-current Assets		21,326,645,254.06	17,845,318,578.55
Total Assets		119,233,282,761.47	103,864,543,195.18

On December 31, 2022

Consolidated Balance Sheet-continued

Unit: RMB

Item	Notes	On December 31, 2022	On December 31, 2021
Current Liabilities:			
Short-term borrowings	(V)23	3,343,071,972.89	4,074,962,469.97
Held-for-trading financial liabilities	(V)24	68,299,685.57	4,062,317.57
Notes payable	(V)25	1,207,756,963.94	1,339,998,383.34
Accounts payable	(V)26	16,025,563,802.99	15,889,694,981.12
Contract liabilities	(V)27	2,644,496,508.36	2,580,894,226.59
Payroll payable	(V)28	4,837,302,455.95	4,595,552,073.12
Taxes payable	(V)29	1,234,032,138.37	1,461,470,029.69
Other payables	(V)30	3,203,308,686.31	1,830,626,583.03
Non-current liabilities due within one year	(V)31	868,197,272.46	596,915,360.58
Other current liabilities	(V)32	923,721,593.78	917,479,922.61
Total Current Liabilities		34,355,751,080.62	33,291,656,347.62
Non-current Liabilities:			
Long-term borrowings	(V)33	7,522,315,341.60	3,284,371,642.52
Lease liabilities	(V)34	277,255,924.83	317,951,879.21
Long-term payables	(V)35	7,569,934.67	9,009,331.50
Provisions	(V)36	219,365,227.62	200,675,950.96
Deferred income	(V)37	933,260,426.12	738,586,458.05
Deferred tax liabilities	(V)21	116,502,770.84	93,315,151.17
Other non-current liabilities	(V)38	2,831,108,087.59	534,334,158.27
Total Non-current Liabilities		11,907,377,713.27	5,178,244,571.68
Total Liabilities		46,263,128,793.89	38,469,900,919.30
Owners' Equity			
Share capital	(V)39	9,430,920,624.00	9,335,806,114.00
Capital reserves	(V)40	10,141,153,435.32	5,404,070,600.07
Less: Treasury shares	(V)41	5,316,033,650.24	1,023,188,723.04
Other comprehensive income	(V)42	(42,587,158.81)	(77,184,125.29)
Surplus reserves	(V)43	4,715,460,312.00	4,672,505,348.00
Retained earnings	(V)44	49,460,240,986.49	45,148,877,451.52
Total Owners' Equity Attributable to Owner of the Company		68,389,154,548.76	63,460,886,665.26
Minority equity		4,580,999,418.82	1,933,755,610.62
Total Owners' Equity		72,970,153,967.58	65,394,642,275.88
Total Liabilities and Owners' Equity		119,233,282,761.47	103,864,543,195.18

The accompanying notes form part of the financial statements.

The financial statements were signed by the following:

Legal Representative: Chen Zongnian; Person in charge of the accounting work: Jin Yan;

Person in Charge of the Accounting Department: Zhan Junhua

On December 31, 2022

Balance Sheet of the Parent Company

Unit: RMB

Item	Notes	On December 31, 2022	On December 31, 2021
Current Assets:			
Cash and bank balances		27,826,883,144.97	26,656,489,813.38
Held-for-trading financial assets		-	4,489,098.88
Notes receivable		291,894,821.88	254,830,140.51
Accounts receivable	(XV)1	24,375,815,151.52	23,878,118,071.42
Receivables for financing		1,380,237.21	3,116,794.78
Prepayments		78,220,424.69	116,908,227.97
Other receivables	(XV)2	2,409,877,936.73	1,514,142,364.05
Inventories		287,356,998.22	346,835,446.94
Contract assets		2,070,526.66	2,627,800.33
Non-current assets due within one year		145,198,110.49	123,112,934.70
Other current assets		10,325,583.58	46,183,195.94
Total Current Assets		55,429,022,935.95	52,946,853,888.90
Non-current Assets:			
Long-term accounts receivable		544,335,046.78	237,682,275.59
Long-term equity investment	(XV)3	7,735,758,795.50	7,785,916,631.88
Other non-current financial assets		336,896,766.52	435,839,952.22
Fixed assets		3,632,220,781.28	2,834,983,102.39
Construction in progress		31,536,529.55	450,957,191.99
Right-of-use assets		106,886,641.18	67,592,195.40
Intangible assets		108,027,048.91	134,626,963.77
Long-term deferred expenses		44,756,196.08	61,162,816.25
Deferred tax assets		171,524,646.19	281,893,463.93
Other non-current assets		20,271,638.61	21,042,856.65
Total Non-current Assets		12,732,214,090.60	12,311,697,450.07
Total Assets		68,161,237,026.55	65,258,551,338.97

On December 31, 2022

Balance Sheet of the Parent Company - continued

Unit: RMB

Item	Notes	On December 31, 2022	On December 31, 2021
Current Liabilities:			
Short-term borrowings		371,761,513.12	361,117,361.14
Accounts payable		871,899,603.98	713,263,324.12
Contract liabilities		252,386,307.55	368,945,242.08
Payroll payable		2,751,925,304.64	2,838,109,439.40
Taxes payable		371,935,883.41	861,102,872.06
Other payables		1,523,785,190.90	1,334,246,256.62
Non-current liabilities due within one year		280,431,699.90	66,524,298.83
Other current liabilities		504,448,226.96	561,225,504.26
Total Current Liabilities		6,928,573,730.46	7,104,534,298.51
Non-current Liabilities:			
Long-term borrowings		1,674,051,800.00	1,254,076,200.00
Lease liabilities		51,034,219.65	27,440,248.49
Provisions		112,936,131.57	113,998,912.05
Deferred Income		463,302,126.80	365,699,705.71
Other non-current liabilities		2,806,169,050.05	511,594,361.52
Total Non-current Liabilities		5,107,493,328.07	2,272,809,427.77
Total Liabilities		12,036,067,058.53	9,377,343,726.28
Owners' Equity			
Share capital		9,430,920,624.00	9,335,806,114.00
Capital reserves		8,264,384,780.30	4,937,523,553.84
Less: Treasury shares		5,316,033,650.24	1,023,188,723.04
Surplus reserves		4,715,460,312.00	4,672,505,348.00
Retained earnings		39,030,437,901.96	37,958,561,319.89
Total Owners' Equity		56,125,169,968.02	55,881,207,612.69
Total Liabilities and Owners' Equity		68,161,237,026.55	65,258,551,338.97

For the reporting period from January 1, 2022 to December 31, 2022

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total Revenue	(V)45	83,166,321,681.14	81,420,053,539.27
Less: Total operating costs	(V)45	47,996,254,466.32	45,329,400,332.65
Business taxes and surcharges	(V)46	581,896,696.51	560,980,007.52
Selling expenses	(V)47	9,773,457,336.23	8,586,443,668.02
Administrative expenses	(V)48	2,642,113,372.00	2,132,250,463.96
Research and Development (R&D) expenses	(V)49	9,814,444,260.55	8,251,645,101.39
Financial expenses	(V)50	(990,401,533.32)	(133,343,257.84)
Including: Interest expenses		311,251,154.55	229,950,217.93
Interest income		921,912,411.61	885,545,988.62
Add: Other Income	(V)51	2,482,467,855.97	2,628,560,820.46
Investment income	(V)52	218,396,306.44	174,205,547.82
Including: Investment gains in associated enterprise and joint-venture enterprise		106,498,595.01	114,137,281.18
Gains (losses) from changes in fair values	(V)53	(155,567,520.89)	(38,200,024.47)
Credit impairment gains (losses)	(V)54	(585,161,235.45)	(569,758,165.50)
Impairment gains (losses) of assets	(V)55	(508,453,828.82)	(447,689,406.60)
Asset disposal income (losses)		(17,578,905.00)	34,225,603.81
II. Operating Profit		14,782,659,755.10	18,474,021,599.09
Add: Non-operating income	(V)56	87,365,985.48	75,744,369.29
Less: Non-operating expenses	(V)57	15,074,113.11	81,554,105.75
III. Total Profit		14,854,951,627.47	18,468,211,862.63
Less: Income tax expenses	(V)58	1,297,981,905.54	957,490,652.16
IV. Net Profit		13,556,969,721.93	17,510,721,210.47
4.1 Classification by continuous operation			
(a) Net profit on continuous operation		13,556,969,721.93	17,510,721,210.47
(b) Net loss on terminated operation		-	-
4.2 Classification by attribution of ownership			
(a) Profit or loss attributable to minority shareholders		719,627,660.86	710,310,178.42
(b) Net profit attributable to owners of parent company		12,837,342,061.07	16,800,411,032.05
V. Other Comprehensive Income, Net of Income Tax	(V)42	88,691,088.90	4,631,122.68
Other comprehensive income attributable to owners of the Company, net of tax		34,596,966.48	7,809,801.65
(I) Items that will not be reclassified subsequently to profit or loss		-	-
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		34,596,966.48	7,809,801.65
1. Exchange differences arising on conversion of financial statements denominated in foreign currencies		34,596,966.48	7,809,801.65
Other comprehensive income attributable to minority interests, net of tax		54,094,122.42	(3,178,678.97)
VI. Total Comprehensive Income		13,645,660,810.83	17,515,352,333.15

Item	Notes	Amount for the current period	Amount for the prior period
Total comprehensive income attributable to owners of the parent company		12,871,939,027.55	16,808,220,833.70
Total comprehensive income attributable to minority shareholders		773,721,783.28	707,131,499.45
VII. Earnings per Share			
(I) Basic earnings per share	(XVI)2	1.370	1.810
(II) Diluted earnings per share	(XVI)2	1.370	1.806

For the reporting period from January 1, 2022 to December 31, 2022

Income Statement of the Parent Company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total Revenue	(XV)4	24,284,505,338.35	28,072,593,261.87
Less: Total operating Cost	(XV)4	5,097,739,346.67	5,240,788,874.32
Business taxes and surcharges		282,765,774.49	327,853,515.36
Selling expenses		3,580,457,766.03	3,578,887,952.72
Administrative expenses		883,004,663.75	767,812,041.04
Research and Development (R&D) expenses		6,920,548,083.50	6,049,343,480.30
Financial expenses		(654,027,587.29)	(740,196,978.65)
Including : Interest expenses		103,549,530.55	104,266,342.46
Interest income		765,252,513.50	701,176,190.67
Add: Other income		1,747,068,413.89	1,889,775,429.25
Investment income	(XV)5	387,283,344.13	237,198,739.71
Including: Investment gains in associated enterprise and joint-venture enterprise		118,900,466.08	109,087,538.20
Gains (losses) from changes in fair values		(74,432,284.58)	(48,725,796.17)
Credit impairment gains (losses)		(122,761,912.01)	(119,440,900.17)
Impairment gains (losses) of assets		(1,195,518.35)	(2,669,913.88)
Asset disposal income (losses)		(2,215,205.61)	30,917,301.16
II. Operating profit		10,107,764,128.67	14,835,159,236.68
Add: Non-operating income		18,830,134.69	9,542,292.17
Less: Non-operating expenses		1,205,910.50	61,845,120.19
III. Total profit		10,125,388,352.86	14,782,856,408.66
Less: Income tax expenses		527,533,244.69	694,128,740.64
IV. Net profit		9,597,855,108.17	14,088,727,668.02
V. Other comprehensive income, net of income tax		-	-
VI. Total comprehensive income		9,597,855,108.17	14,088,727,668.02

For the reporting period from January 1, 2022 to December 31, 2022

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from sale of goods or rendering of services		86,798,776,609.53	83,503,340,788.69
Receipts of tax refunds		3,767,899,232.43	4,683,092,023.52
Other cash receipts relating to operating activities	(V)59(1)	2,102,400,537.73	2,798,426,938.05
Sub-total of ash inflows from operating activities		92,669,076,379.69	90,984,859,750.26
Cash payments for goods purchased and services received		54,179,038,046.40	53,662,747,197.88
Cash paid to and on behalf of employees		16,397,768,429.86	12,868,949,235.34
Payments of various types of taxes		5,947,034,037.02	6,447,300,353.27
Other cash payments relating to operating activities	(V)59(2)	5,981,100,484.03	5,297,338,276.78
Sub-total of cash outflows from operating activities		82,504,940,997.31	78,276,335,063.27
Net Cash Flows from Operating Activities	(V)60(1)	10,164,135,382.38	12,708,524,686.99
II. Cash Flows from Investing Activities:			
Cash receipts from recovery of investments		7,309,732,287.10	6,189,975,412.80
Cash receipts from investment income		51,892,209.92	115,644,801.97
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		12,978,200.27	64,430,953.56
Other cash receipts relating to investing activities	(V)59(3)	47,770,416.23	-
Sub-total of cash inflows from investing activities		7,422,373,113.52	6,370,051,168.33
Net cash paid for obtaining subsidiaries and other business units	(V)60(2)	-	323,604,530.74
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,755,680,900.22	3,098,310,855.39
Cash payments to acquire investments		7,392,073,275.54	6,094,268,306.70
Other cash payments relating to investment activities	(V)59(4)	-	10,196,658.79
Sub-total of cash outflows from investing activities		11,147,754,175.76	9,526,380,351.62
Net Cash Flows from Investing Activities		(3,725,381,062.24)	(3,156,329,183.29)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		6,015,196,647.38	207,702,900.00
Including: cash receipts from capital contributions from minority owners of subsidiaries		3,121,365,252.83	207,702,900.00
Cash receipts from borrowings		8,360,333,394.08	5,915,784,932.52
Sub-total of cash inflows from financing activities		14,375,530,041.46	6,123,487,832.52
Cash repayments of borrowings		4,786,252,322.38	7,758,027,348.85
Cash payments for distribution of dividends or profits or settlement of interest expenses		8,734,449,665.28	7,844,017,257.76
Including : Dividends and profits paid by subsidiaries to minority shareholders		3,050,502.27	4,704,000.00
Other cash payments relating to financing activities	(V)59(5)	2,310,746,266.55	312,940,867.51
Sub-total of cash outflows from financing activities		15,831,448,254.21	15,914,985,474.12
Net Cash Flows from Financing Activities		(1,455,918,212.75)	(9,791,497,641.60)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		228,609,977.98	(181,591,311.21)
V. Net Increase (Decrease) in Cash and Cash Equivalents	(V)60(1)	5,211,446,085.37	(420,893,449.11)
Add: Opening balance of Cash and Cash Equivalents	(V)60(1)	34,603,944,429.20	35,024,837,878.31
VI. Closing Balance of Cash and Cash Equivalents	(V)60(3)	39,815,390,514.57	34,603,944,429.20

For the reporting period from January 1, 2022 to December 31, 2022

Cash Flow Statements of the Parent Company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities::			
Cash receipts from the sale of goods and the rendering of services		26,487,868,077.06	34,148,655,237.57
Receipts of tax refunds		1,436,480,287.99	1,726,725,329.46
Other cash receipts relating to operating activities		1,532,865,664.26	976,326,567.89
Sub-total of cash inflows from operating activities		29,457,214,029.31	36,851,707,134.92
Cash payments for goods acquired and services received		5,493,671,074.35	8,696,110,952.82
Cash paid to and on behalf of employees		7,512,557,371.10	6,188,349,496.37
Payments of various types of taxes		3,460,034,171.26	4,406,691,364.91
Other cash payments relating to operating activities		3,467,533,481.78	1,765,753,448.19
Sub-total of cash outflows from operating activities		19,933,796,098.49	21,056,905,262.29
Net Cash Flows from Operating Activities	(XV)8(1)	9,523,417,930.82	15,794,801,872.63
II. Cash Flows from Investing Activities:			
Cash receipts from recovery of investments		433,936,760.50	33,398,189.82
Cash receipts from investment income		199,427,999.55	131,960,801.97
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		70,976,304.99	84,321,638.76
Other cash receipts relating to investing activities		73,174,669,493.77	82,668,322,959.43
Sub-total of cash inflows from investing activities		73,879,010,558.81	82,918,003,589.98
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		830,581,107.94	650,844,109.04
Cash payments to acquire investments		53,320,000.00	942,402,941.96
Other cash payments relating to investing activities		74,151,979,147.50	83,113,418,266.33
Sub-total of cash outflows from investing activities		75,035,880,255.44	84,706,665,317.33
Net Cash Flows from Investing Activities		(1,156,869,696.63)	(1,788,661,727.35)
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		2,893,831,394.55	-
Cash receipts from borrowings		991,175,000.00	1,644,388,055.69
Other cash receipts relating to financing activities		10,877,860,127.00	15,606,213,712.04
Sub-total of cash inflows from financing activities		14,762,866,521.55	17,250,601,767.73
Cash repayments of borrowings		389,788,200.00	4,572,909,918.72
Cash payments for distribution of dividends or profits or settlement of interest expenses		8,466,387,329.97	7,516,599,420.29
Other cash payments relating to financing activities		13,134,864,230.77	15,775,258,476.27
Sub-total of cash outflows from financing activities		21,991,039,760.74	27,864,767,815.28
Net Cash Flows from Financing Activities		(7,228,173,239.19)	(10,614,166,047.55)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(6,756,445.09)	(17,084,979.94)
V. Net Increase in Cash and Cash Equivalents	(XV)8(1)	1,131,618,549.91	3,374,889,117.79
Add: Opening balance of cash and cash equivalents	(XV)8(1)	26,639,582,696.49	23,264,693,578.70
VI. Closing Balance of Cash and Cash Equivalents	(XV)8(2)	27,771,201,246.40	26,639,582,696.49

For the reporting period from January 1, 2022 to December 31, 2022

Consolidated Statement of Changes in Owners' Equity

Unit: RMB

Items	2022							
	Owner's equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Opening balance of the current period	9,335,806,114.00	5,404,070,600.07	1,023,188,723.04	(77,184,125.29)	4,672,505,348.00	45,148,877,451.52	1,933,755,610.62	65,394,642,275.88
II. Increase or decrease in the current period	95,114,510.00	4,737,082,835.25	4,292,844,927.20	34,596,966.48	42,954,964.00	4,311,363,534.97	2,647,243,808.20	7,575,511,691.70
(I) Total comprehensive income	-	-	-	34,596,966.48	-	12,837,342,061.07	773,721,783.28	13,645,660,810.83
(II) Owners' contributions and reduction in capital	95,114,510.00	4,737,082,835.25	4,412,565,229.40	-	-	-	1,876,759,941.16	2,296,392,057.01
1. Capital contribution from shareholders	97,402,605.00	2,796,428,789.55	2,893,831,394.55	-	-	-	58,500,000.00	58,500,000.00
2. Share-based payment recognized in owners' equity	-	601,605,075.24	-	-	-	-	49,386,376.03	650,991,451.27
3. Business combination of enterprises not under the same control	-	-	-	-	-	-	-	-
4. Others	(2,288,095.00)	1,339,048,970.46	1,518,733,834.85	-	-	-	1,768,873,565.13	1,586,900,605.74
(III) Profit distribution	-	-	(119,720,302.20)	-	42,954,964.00	(8,525,978,526.10)	(3,237,916.24)	(8,366,541,176.14)
1. Transfer to surplus reserves	-	-	-	-	42,954,964.00	(42,954,964.00)	-	-
2. Distributions to shareholders	-	-	(119,720,302.20)	-	-	(8,483,023,562.10)	(3,237,916.24)	(8,366,541,176.14)
III. Closing balance of the current period	9,430,920,624.00	10,141,153,435.32	5,316,033,650.24	(42,587,158.81)	4,715,460,312.00	49,460,240,986.49	4,580,999,418.82	72,970,153,967.58

For the reporting period from January 1, 2022 to December 31, 2022

Consolidated Statement of Changes in Owners' Equity-continued

Unit: RMB

Items	2021							
	Owner's equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Opening balance of the current period	9,343,417,190.00	5,178,777,462.09	1,121,918,737.47	(84,993,926.94)	4,672,505,348.00	35,806,523,826.37	685,432,238.49	54,479,743,400.54
II. Increase or decrease in the current period	(7,611,076.00)	225,293,137.98	(98,730,014.43)	7,809,801.65	-	9,342,353,625.15	1,248,323,372.13	10,914,898,875.34
(I) Total comprehensive income	-	-	-	7,809,801.65	-	16,800,411,032.05	707,131,499.45	17,515,352,333.15
(II) Owners' contributions and reduction in capital	(7,611,076.00)	225,293,137.98	(37,631,007.23)	-	-	-	545,895,872.68	801,208,941.89
1. Capital contribution from shareholders	-	-	-	-	-	-	207,702,900.00	207,702,900.00
2. Share-based payment recognized in owners' equity	-	340,326,119.26	-	-	-	-	29,003,130.85	369,329,250.11
3. Business combination of enterprises not under the same control	-	-	-	-	-	-	317,436,910.79	317,436,910.79
4. Others	(7,611,076.00)	(115,032,981.28)	(37,631,007.23)	-	-	-	(8,247,068.96)	(93,260,119.01)
(III) Profit distribution	-	-	(61,099,007.20)	-	-	(7,458,057,406.90)	(4,704,000.00)	(7,401,662,399.70)
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(61,099,007.20)	-	-	(7,458,057,406.90)	(4,704,000.00)	(7,401,662,399.70)
III. Closing balance of the current period	9,335,806,114.00	5,404,070,600.07	1,023,188,723.04	(77,184,125.29)	4,672,505,348.00	45,148,877,451.52	1,933,755,610.62	65,394,642,275.88

For the reporting period from January 1, 2022 to December 31, 2022

Statement of Changes in Owners' Equity of the Parent Company

Unit: RMB

Item	2022					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,335,806,114.00	4,937,523,553.84	1,023,188,723.04	4,672,505,348.00	37,958,561,319.89	55,881,207,612.69
II. Increase or decrease in the current period	95,114,510.00	3,326,861,226.46	4,292,844,927.20	42,954,964.00	1,071,876,582.07	243,962,355.33
(I) Total comprehensive income	-	-	-	-	9,597,855,108.17	9,597,855,108.17
(II) Owners' contributions and reduction in capital	95,114,510.00	3,326,861,226.46	4,412,565,229.40	-	-	(990,589,492.94)
1. Capital contribution from owners	97,402,605.00	2,796,428,789.55	2,893,831,394.55	-	-	-
2. Share-based payment recognized in owners' equity	-	507,562,719.42	-	-	-	507,562,719.42
3. Others	(2,288,095.00)	22,869,717.49	1,518,733,834.85	-	-	(1,498,152,212.36)
(III) Profit distribution	-	-	(119,720,302.20)	42,954,964.00	(8,525,978,526.10)	(8,363,303,259.90)
1. Transfer to surplus reserves	-	-	-	42,954,964.00	(42,954,964.00)	-
2. Distributions to shareholders	-	-	(119,720,302.20)	-	(8,483,023,562.10)	(8,363,303,259.90)
III. Closing balance of the current period	9,430,920,624.00	8,264,384,780.30	5,316,033,650.24	4,715,460,312.00	39,030,437,901.96	56,125,169,968.02
Item	2021					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,343,417,190.00	4,770,210,334.16	1,121,918,737.47	4,672,505,348.00	31,327,891,058.77	48,992,105,193.46
II. Increase or decrease in the current period	(7,611,076.00)	167,313,219.68	(98,730,014.43)	-	6,630,670,261.12	6,889,102,419.23
(I) Total comprehensive income	-	-	-	-	14,088,727,668.02	14,088,727,668.02
(II) Owners' contributions and reduction in capital	(7,611,076.00)	167,313,219.68	(37,631,007.23)	-	-	197,333,150.91
1. Share-based payment recognized in owners' equity	-	282,346,200.96	-	-	-	282,346,200.96
2. Others	(7,611,076.00)	(115,032,981.28)	(37,631,007.23)	-	-	(85,013,050.05)
(III) Profit distribution	-	-	(61,099,007.20)	-	(7,458,057,406.90)	(7,396,958,399.70)
1. Distributions to shareholders	-	-	(61,099,007.20)	-	(7,458,057,406.90)	(7,396,958,399.70)
III. Closing balance of the current period	9,335,806,114.00	4,937,523,553.84	1,023,188,723.04	4,672,505,348.00	37,958,561,319.89	55,881,207,612.69

I. Basic Information about the Company

Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "Company" or "the Company" or "Hikvision"), is a Sino-foreign equity joint venture company, formerly known as "Hangzhou Hikvision Digital Technology Ltd", established on November 30, 2001 in Hangzhou upon the approval letter of Hangzhou High-tech No. 604 [2001] issued by Hangzhou High-tech Industrial Development Zone Management Committee. On June 25, 2008, with approval of document No. 598 [2008] issued by the MOFCOM (The Ministry of Commerce of the People's Republic of China), the Company was renamed as "Hangzhou Hikvision Digital Technology Co., Ltd.", headquartered in Hangzhou, and obtained the business license of enterprise No.91330000733796106P. On May 28, 2010, the Company was listed on the Shenzhen Stock Exchange.

In accordance with the authorization by the Company's second Extraordinary General Meeting in 2016, the authorization by the second Extraordinary General Meeting in 2018, the resolution by the 20th meeting of the 4th session of the Board of Directors on December 25, 2020, the resolution of the first Extraordinary General Meeting in 2021 on March 5, 2021 and the revised Articles of Association, the Company repurchased and cancelled the granted 7,611,076 restricted RMB treasury shares that have not been unlocked by cash. The Company completed the deregistration on July 2, 2021 and the share capital was accordingly changed to 9,335,806,114 shares.

On January 18, 2022, in accordance with the authorization by the Company's first Extraordinary General Meeting in 2022, the resolution by the 8th meeting of the 5th session of the Board of Directors and the revised Articles of Association, the Company was approved to issue 99,417,229 additional RMB ordinary shares (97,402,605 shares after adjustment) to 9,933 (9,738 after adjustment) scheme participants. The Company completed the share registration procedures on February 10, 2022. The share capital of the Company was accordingly changed to 9,433,208,719 shares.

In accordance with the authorization by the Company's second Extraordinary General Meeting in 2018, the resolution by the 10th meeting of the 5th session of the Board of Directors on May 5, 2022, the resolution of the second Extraordinary General Meeting in 2022 on October 10, 2021 and the revised Articles of Association, the Company repurchased and cancelled the granted 2,288,095 restricted RMB treasury shares that have not been unlocked by cash. The Company completed the deregistration on December 21, 2022 and the share capital was accordingly changed to 9,430,920,624 shares. For details of the share capital, please refer to Note (V) 39.

As of December 31, 2022, the Company's total registered capital is RMB 9,430,920,624.00, with total capital shares of 9,430,920,624 shares (face value RMB 1 per share), of which restricted A-shares were 255,248,506 shares, A-shares without restriction are 9,175,672,118 shares.

The Company is involved in the sector of other electronic equipment manufacturing of the electronic industry. Business scope of the Company includes development and production of electronic products (including explosion-proof electrical products, tele-communication equipment and its ancillary equipment, multimedia equipment, transmission and display equipment), fire protection and control products, big data and IoT software and hardware products, aerial vehicles, robots, intelligent equipment and intelligent systems, real-time communication systems, auto parts and accessories, electrical signal equipment for vehicle, servers and supporting hardware and software products; sales of self-manufactured products; technical service, electronic technology consulting service, training service (excluding class training), electronic equipment installation, design, construction and maintenance of electronic engineering and intelligent system engineering.

For details about business scope of the Company and its subsidiaries, please refer to Note (VII) 1.

The Company's consolidated financial reports were approved for issuance by the 17th meeting of the 5th session of the Board of Directors of the Company on April 13, 2023.

For consolidation scope of the financial statements of the current reporting period, please refer to Note (VII) "Interest in other entities". For changes in consolidation scope of the financial statements during the current reporting period, please refer to "changes in the consolidation scope" in Note (VI).

II. Basis of Preparation of Financial Statements

Basis of preparation of financial statements

The Company and its subsidiaries (hereinafter referred to as "the Group") have adopted the Accounting Standards for Business Enterprises ("ASBE") and relevant provisions issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (revised in 2014)*.

Going concern

The Group has evaluated its going concern for 12 months going forward starting from December 31st 2022, and there is no factor that may cast significant doubt on the entity's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Bookkeeping base and valuation principles

The Group measures the accounting elements in accordance with the accrual accounting basis. Except certain financial instruments are measured by fair value, these financial statements are prepared in accordance with the measurements basis of historical costs. If the asset decreases in value, the provision for impairment of assets should be made according to relevant regulations.

According to the historical cost measurement, the assets shall be measured as per the amount of cash or cash equivalent paid at the time of purchase, or the fair value of consideration paid for the purchase of such assets. The liabilities shall be measured in accordance with the amount of funds or assets actually received when undertaking current obligations, or the contract amount when undertaking the current obligations, or the amount of cash or cash equivalents required for paying back the debts in daily activities.

The fair value is a price received by the market participants from selling asset or transferring liability during orderly transaction at the measurement date. No matter the fair value is observable or estimated by using valuation technique, the measured and disclosed fair value in the financial statement shall be determined on this basis.

When measuring non-financial assets at fair value, the assets shall be measured considering the ability of market participants to use the assets for optimal use to generate economic benefits, or to sell the assets to other market participants to use the assets for optimal use to generate economic benefits.

For the financial assets measured with transaction price at the initial recognition, and the use of valuation techniques involving unobservable inputs in the subsequent fair value measurement, the valuation technique is corrected in the valuation process in order to make the initial recognition results confirmed by valuation techniques equal to the transaction price.

Based on the observable extent of the input value of the fair value, and the importance of such input value to the fair value measurement, the fair value measurement is divided into three levels:

- Level 1: The input value is the unadjusted offer of the same assets or liabilities on active market acquired on measurement date;
- Level 2: The input value is the input value of relevant assets or liabilities observable directly or indirectly in addition to level 1 input value;
- Level 3: The input value is the non-observable input value of relevant assets or liabilities.

III. Significant Accounting Policies and Accounting Estimates

1. Statement for Compliance with Accounting Standards for Business Enterprises (ASBE)

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of December 31st 2022; and the Company's consolidated results of operations, and the Company's and consolidated cash flows for 2022.

2. Accounting Period

The Group has adopted the calendar year as its accounting year from January 1st to December 31st each year.

3. Business Cycle

The business cycle refers to the period from purchase of assets used for processing to realization of cash or cash equivalents. The Group business cycle is usually 12 months.

4. Functional Currency

Renminbi ("RMB") is the currency in the primary economic environments in which the Company and its domestic subsidiaries are operated. The Company and its domestic subsidiaries take RMB as their functional currency. Overseas subsidiaries of the Company determine their functional currency on the basis of the primary economic environment in which it operates. For functional currency of overseas subsidiaries of the Company, see Note (V) 62. The Group adopts RMB to prepare its financial statements.

5. The Accounting Treatment of Business Combinations Involving Enterprises under Common Control and Business Combinations Not Involving Enterprises under Common Control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. If a business combination not under the common control is realized step by step through multiple transactions, the cost of the combination is the sum

of the consideration paid on the purchase date and the fair value of the equity of the purchase already held before the purchase date on the purchase date. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately into profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation Method of Consolidated Financial Statements

6.1 Preparation method of consolidated financial statements

The scope of consolidated financial statements shall be confirmed based on the control. Control right means that an investor may control an investee; the investor may participate in relevant activities of the investee to obtain variable rewards and also be able to use the control rights for the investee to influence its amount of returns. The Group will re-evaluate, if the change of the relevant facts and circumstances leading to the change of the relevant elements involved in the above definition of control.

The merger of subsidiary starts from the Group obtaining the control power of the subsidiary, and terminates when the Group loses the control power of the subsidiary.

As for subsidiaries disposed by the Group, operating results and cash flows prior to the disposal date (the date of losing control right) have been properly included in the consolidated profit statement and consolidated cash flow statement.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority equity" in the consolidated balance sheet. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the total owners' equity attributable to owner of the Company and minority equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

7. Joint Arrangement Classification and Joint Operation Accounting

Joint arrangements include joint operation and joint ventures. Such classification is defined based on the rights and obligations of the joint parties in the joint arrangement, taking into account the structure and legal form of such arrangement and also the contractual provisions. Joint operation refers to a joint arrangement where the joint venture is entitled to assets related to this arrangement and bear liabilities related to this arrangement. Joint ventures mean that joint venture parties are merely entitled to joint venture arrangements of net assets of such arrangements.

The Groups investment in any joint venture is accounted by the equity method. See the details in Note (III) "15.3.2 Long-term equity investment accounted under the equity method".

The Group confirms its assets held separately according to the arrangement of joint operation and those held jointly in proportion to the Group's share; confirms its liabilities held separately and those held jointly in proportion to the Group's share ; confirms its revenue from the sale of its share of the output arising from the joint operation; confirms its share of the revenue from the sale of the output by the joint operation; confirms the expenses incurred by the Group alone and the expenses incurred by the joint operation corresponding to the share of the Group therein. The assets, liabilities, revenues and expenses related to the joint operation are accounted and confirmed by the Group in accordance with the regulations applicable to specific assets, liabilities, revenues, and expenses.

8. Recognition Criteria of Cash and Cash Equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term (Generally refers to due within three months from the purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Conversion of Transactions and Financial Statements Denominated in Foreign Currencies.

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of transaction; The exchange rate that approximates the actual spot exchange rate on the date of transaction is calculated according to the middle price of market exchange rate at the beginning of the month in which the transaction happened.

At the balance sheet date, foreign currency monetary items are translated into [RMB] using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for

the period, except for exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on conversion of financial statements denominated in foreign currencies " in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are converted to the amounts in functional currency at the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are re-converted at the spot exchange rate on the date the fair value is determined. Difference between the re-converted functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

9.2 Conversion of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are converted from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are converted at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; The difference between the converted assets and the aggregate of liabilities and shareholders' equity items is recognized into other comprehensive income and shareholders' equity.

The foreign currency cash flows and cash flows of overseas subsidiaries adopt the exchange rate similar to the spot rate at the date of cash flows for conversion. The affected amount of cash and cash equivalents due to the change of exchange rate, as an adjustment item, shall be separately listed as "the impact of cash and cash equivalents due to the change of exchange rate" in the cash flow statement.

The closing balances of the prior year and the actual amount of the prior year are presented at the converted amounts of the prior year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on

conversion of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, but only a decrease in proportion of overseas business interests, the proportionate share of accumulated exchange differences arising on conversion of financial statements are re-attributed to minority interests and are not recognized in profit and loss under current period. For partial disposals of equity interests in foreign operations, which are associates or joint ventures, the proportionate shares of the accumulated exchange differences arising on conversion of financial statements of foreign operations is reclassified to profit or loss under current period.

10. Financial Instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to a contract of financial instrument.

For the purchase or sale of a financial asset in conventional manner, the asset to be received and the liability to be assumed will be recognized on the trading day, or the asset sold will be derecognized on the trading day.

Financial assets and financial liabilities are measured by fair value upon initial recognition. For financial assets and financial liabilities at fair value through profit and loss, the relevant trading costs will be directly charged to profit and loss of the current period. For other types of financial assets and financial liabilities, the relevant trading costs will be booked into the initial recognition amount. Upon initial recognition of accounts receivable which have no material financing components or have not taken into consideration the financing components in contracts with a term not exceeding one year according to Accounting Standards for Business Enterprise No. 14 – Revenue ("Revenue Standard"), such initial amount is measured by the transaction price as defined under the Revenue Standard.

Effective interest rate method refers to the method of calculating the amortized cost of financial asset or financial liability and apportioning interest income or interest expenses to each accounting period.

Effective interest rate refers to the interest rate used for discounting the estimated future cash flows of a financial asset or a financial liability for an expected subsisting period into the balance of book value of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flows are estimated on the basis of considering all contractual terms of the financial asset or financial liability (such as early repayment, extended term, call option or other similar option) but without considering the expected credit loss.

The amortized cost of a financial asset or a financial liability refers to the initial recognition amount of such financial asset or financial liability, less the repaid amount of principal, plus or minus the accrued amortized amount calculated by amortization of the difference between the initial recognition amount and the amount on maturity by using the effective interest rate method, and then deducts the accrued provision for losses (only applicable to financial assets).

10.1 Classification, Confirmation and Measurement of Financial Assets

After initial recognition, the Group will adopt amortized cost, fair value through other comprehensive income, or fair value through profit and loss for subsequent measurement depending on different categories of financial assets.

The Group will classify a financial asset into a financial asset measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Financial assets classified by the Group as financial asset measured by amortized cost include cash and cash equivalents, notes receivables and accounts receivable, other receivables and long-term receivables.

The Group will classify a financial asset into a financial asset measured by fair value through other comprehensive income if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. This category of financial assets mainly includes financial assets with a maturity of more than one year from the date of acquisition and which are presented under other debt investments, financial assets maturing within one year (inclusive) from the balance sheet date and which are presented under non-current assets maturing within one year, as well as the accounts receivable and notes receivable classified as fair value at the time of acquisition and their changes are included in other comprehensive income are listed in the receivables for financing, and for those have acquisition period within one year (including one year) are listed in other current assets.

At the time of initial recognition, the Group may, on the basis of a single financial asset, irrevocably designate an investment in an equity instrument held for non-trading purpose recognized or without consideration in a business combination of enterprises not under the same control as a financial asset at fair value through other comprehensive income. This type of financial assets is presented as investment in other equity instruments.

Financial assets which have satisfied one of the following conditions indicate that such financial assets are held for trading purpose by the Group:

- The purpose of acquiring the relevant financial asset is mainly for sale in recent period.

- At the time of initial recognition, the relevant financial asset is a part of an identifiable portfolio of financial instruments under collective management, and there is objective evidence showing a recent and actual existence of short-term profitable mode.
- The relevant financial assets are derivatives, excluding derivatives which satisfy the definition under financial guarantee contracts and derivatives which are designated as effective hedging instruments.

Financial assets at fair value through profit and loss include financial assets which are classified as financial assets at fair value through profit and loss and financial assets designated at fair value through profit and loss:

- Financial assets which do not satisfy the conditions of being classified as financial assets measured at amortized cost or as financial assets at fair value through other comprehensive income, they will be classified as financial assets at fair value through profit and loss.
- At the time of initial recognition, in order to eliminate or substantially reduce mismatch in accounting, the Group may irrevocably designate a financial asset as a financial asset measured at fair value with changes through profit and loss.

Financial assets at fair value through profit and loss will be presented as held-for-trading financial assets. If such financial assets have a maturity of more than one year from the balance sheet date (or without a fixed maturity) and which are expected to be held for more than one year, they will be presented under other non-current financial assets.

10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost adopt the effective interest rate method for subsequent measurement according to amortized cost, the profit or loss when impairment occurs or upon derecognition will be accounted in profit and loss of the current period.

The Group recognizes interest income by using effective interest rate method for financial assets measured at amortized cost. The Group determines interest income by multiplying the balance of book value of financial assets with the effective interest rate except under the following circumstances:

- For acquired or generated financial assets which incurred credit impairment already, their interest income will be determined by using the amortized cost of such financial asset calculated with the credit adjusted effective interest rate.
- For acquired or generated financial assets which have not incurred credit impairment but incur credit impairment in the subsequent period, the Group will determine their interest income by using the amortized cost of such financial assets multiplied with the effective interest rate in the subsequent period. If such financial asset ceases to have credit impairment due to improvement in credit risk in the subsequent period, then the Group should change to multiply the effective interest rate with the balance of book value of such financial asset instead to determine the interest income.

10.1.2 Financial asset at fair value through other comprehensive income

The impairment loss or profit, or interest income calculated by using the effective interest rate method, relating to financial asset at fair value through other comprehensive income should be accounted in the profit and loss of the current period, and other changes in fair value of such financial assets will be accounted in other comprehensive income. The amount charged by such financial asset to the profit and loss of each period is deemed to be equal to the amount which has been measured by amortized cost and charged to the profit and loss of each period. Upon derecognition of such financial asset, the accumulated profit or loss previously charged to other comprehensive income will be reversed from other comprehensive income and charged to profit and loss of the current period.

For non-trading equity instrument investment designated at fair value through other comprehensive income, its changes in fair value will be recognized in other comprehensive income. Upon derecognition of such financial asset, the accumulated profit or loss charged to other comprehensive income will be reversed from other comprehensive income and charged to retained earnings. During the period when such investment in equity instruments for non-trading purpose are held by the Group, the right to receive dividends by the Group has been established, and economic benefits related to dividends are likely to flow into the Group, and if the amount of dividends may be measured reliably, the dividend income is recognized and accounted in the profit and loss of the current period.

10.1.3 Financial asset at fair value through profit and loss

For financial asset at fair value through profit and loss, subsequent measurement will be calculated at fair value, the profit or loss arising from changes in fair value and the dividend and interest income relating to such financial asset will be accounted in the profit and loss of the current period.

10.2 Impairment of Financial Assets

For financial assets measured at amortized cost, financial assets that are classified as financial asset at fair value through other comprehensive income, contract assets, lease receivables, and financial guarantee contracts that do not meet the conditions for termination of recognition due to the transfer of financial assets or continue to be involved in financial liabilities formed by the transferred financial assets, the Group will handle impairment on the basis of expected credit loss and recognize loss provision.

The Group's consideration of contract assets, notes receivable and accounts receivable that are generated by transactions regulated by revenue standards and do not contain significant financing components or that do not consider financing components in contracts that are not more than one year old, as well as those operating lease receivables formed from transactions that are defined by the *Accounting Standards for Business Enterprises No. 21-Leasing*, the loss reserve shall be measured based on the amount of the expected credit loss during the entire duration.

For other financial instruments, other than acquired or generated financial assets which have incurred credit impairment already, the Group will assess on each balance sheet date the changes in credit risk of the relevant financial instruments

since initial recognition. If the credit risk of such financial asset has significantly increased after initial recognition, the Group will calculate its loss provision based on the amount equivalent to the expected credit loss for the entire subsisting period. If the credit risk of such financial asset since initial recognition has not increased significantly, the Group will calculate its loss provision according to the expected credit loss amount of such financial asset for the next 12 months. The amount of increase or reversal in the provision for credit loss, apart from financial assets classified as financial asset at fair value through other comprehensive income, is accounted in the profit and loss of the current period. For financial asset classified as measured at fair value through other comprehensive income, the Group will recognize its credit loss provision in other comprehensive income and charged the impairment loss or gain to the profit and loss of the current period, and will not decrease the book value of such financial asset presented in the balance sheet.

The Group has calculated the loss provision equivalent to the expected credit loss amount for the entire subsisting period of the financial instrument in the preceding accounting period, but at the balance sheet date of the current period, such financial instrument is no longer under the condition of significant increase in credit risk since initial recognition, the Group calculates the loss provision for such financial instrument on the balance sheet date of the current period according to an amount equivalent to the expected credit loss for the next 12 months, and the resulting loss provision reversal amount will be counted as impairment gain and booked into the profit and loss of the current period.

10.2.1 Significant increase in credit risk

The Group uses available and reasonable forward-looking information with justification, by comparing the default risk of the financial instrument at the balance sheet date with the default risk on the initial recognition date, to confirm whether the credit risk of the financial instrument has significantly increased after initial recognition. When using the financial instrument impairment rules for loan commitment and financial guarantee contracts, the date when the Group becomes a party of an irrevocable commitment is deemed as the initial recognition date.

The Group considers the following factors when assessing whether the credit risk has significantly increased:

- (1) Whether a significant change has been caused to the internal price indicator due to changes in credit risk.
- (2) Whether the external credit rating of financial instrument has actual or expected significant changes.
- (3) Whether the actual or expected internal credit rating of the debtor has been downgraded.
- (4) Whether adverse changes have occurred in the business, finance or economic conditions which are expected to cause significant changes in the capability of the debtor to perform debt repayment obligations.
- (5) Whether actual or expected significant changes have occurred in the operating results of the debtor.
- (6) Whether significant adverse changes have occurred in the supervision, economic or technical environment in which the debtor operates.
- (7) Whether significant changes have occurred in the value of security pledged for the debt or the quality of guarantee or credit enhancement provided by third parties. Such changes are expected to reduce the debtor's economic motivation of repayment according to contractual term or influence the probability of default.
- (8) Whether significant changes have occurred in the economic motivation which will lower the expectation of

repayment by the borrower according to the contractual term.

- (9) Whether significant changes have occurred in the expected performance and repayment behavior of the debtor.

Whether or not the credit risks increase significantly after the foregoing assessments, if any contractual payment for any financial instrument that overdue for over (including) 30 days, it indicates the credit risks of that financial instrument have increased significantly.

On the balance sheet date, if the Group determines that the financial instrument only carries low credit risks, then it assumes that the credit risks of the financial instrument have not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's performance of its contractual cash obligations, the financial instrument is considered as having a lower credit risk.

10.2.2 Financial assets which have incurred credit impairment already

When one or more events which will have adverse effect on the expected future cash flows from the financial asset of the Group have occurred, such financial asset will become a financial asset which have incurred credit impairment already. The evidence of credit impairment occurred in a financial asset includes the following observable information:

- (1) Material financial difficulties have occurred in the issuer or debtor;
- (2) Breach of contract by the debtor, such as default or overdue for the payment of interest or repayment of principal;
- (3) Due to economic or contractual considerations relating to financial difficulties of the debtor, the creditor has granted concession to the debtor under no other circumstances;
- (4) The debtor is likely to go bankrupt or carry out other financial restructuring;
- (5) The financial difficulties of the issuer or debtor have caused the disappearance of the active market for the financial asset;
- (6) The purchase or generation of a financial asset at a large discount, such discount reflects the fact of occurrence of credit loss.

10.2.3 Confirmation of expected credit loss

The Group's accounts receivable and other receivables, that are individually significant and the debtor has serious financial difficulties, are determined on the basis of individual for its credit loss. The remaining accounts receivable and contract assets are divided into different portfolios according to the area and target of the business as a common risk characteristic and an impairment matrix is used to determine the credit losses of relevant financial instruments on a portfolio basis. For the remaining other receivables and long-term receivables, the credit loss of the relevant financial instrument is determined on a portfolio basis. Notes receivable and receivables are evaluated on a portfolio basis to determine credit losses by

assessing the probability of breach and loss given default based on the credit rating of the acceptor as a common risk characteristic.

The Group confirms the expected credit loss of the relevant financial instrument according to the following method:

- In respect of financial asset and lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the group should receive and the cash flow that it expects to receive.
- In respect of a financial guarantee contract (for specific accounting policies, please refer to Note (III), 10.4.1.2.1), the credit loss is the present value of the difference between Group's expected payment amount for the compensation made to the contract holder due to the occurrence of credit loss and the amount expected to be received by the Group from such contract holder, debtor or any other parties.
- In respect of financial assets with credit impairment on the balance sheet date but they are not acquired or generated financial assets with credit impairment, the credit loss represents the difference between the balance of the book value of such financial asset and the present value of the estimated future cash flows discounted by the original effective interest rate.

The factors reflected by the method used for calculating expected credit loss of financial instruments by the Group include: an unbiased weighted average amount determined by assessing a series of probable outcomes; time value of currency; reasonable and justifiable information relating to past events, prevailing conditions and forecast of future economic conditions obtained on the balance sheet date without incurring unnecessary additional cost or effort.

10.2.4 Write-off on financial asset

When the Group ceases to have reasonable expectation on the possible collection of all or part of the contractual cash flows from the financial asset, the balance of book value of such financial asset will be written off directly. Such a write-off constitutes a derecognition of the relevant financial asset.

10.3 Transfer of financial asset

A financial asset that fulfills one of the following conditions will be de-recognized: (1) termination of contractual rights to receive cash flows from the financial asset; (2) upon transfer of such financial asset and transfer of substantially all the risks and rewards in respect of the ownership of such financial asset to the transferee; (3) upon transfer of such financial asset, though the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, yet it has not retained the control over such financial asset.

If the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, and has retained the control over such financial asset, then such transferred financial asset will continue to be recognized, and the relevant liabilities will continue to be recognized, according to the level of the Group's continuous

involvement in such transferred financial asset. The relevant liabilities will be measured by the Group according to the following method:

- If the transferred financial asset is measured by amortized cost, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the amortized cost of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the amortized cost of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit and loss of the current period.
- If the transferred financial asset is measured by fair value, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the fair value of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the fair value of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the fair value of the rights and obligations shall be measured at the fair value on a separate basis.

For full transfer, which satisfies the conditions of derecognition, of the financial assets, the difference between the sum of the book value of the transferred financial assets as at the date of derecognition and the consideration received from such transfer and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, shall be recognized in the profit and loss for the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument held for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For transfer in part, which satisfies the conditions of derecognition, of the financial assets, the book value of the entire financial assets before the transfer shall be shared between the derecognized portion and the continuous recognition portion at their respective relative fair value on the date of transfer, and the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, and the book value of the derecognized portion as at the date of derecognition shall be included in the profit and loss of the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For full transfer, which does not satisfy the conditions of derecognition, of the financial assets, the Group will continue to recognize the entire financial assets transferred and the consideration received as a result of the asset transfer is recognized as a liability when received.

10.4 Classification, confirmation and measurement of financial liabilities and equity instruments

Pursuant to the contractual terms of the issued financial instruments and the substantive economic condition as reflected, but not in legal terms only, combined with the definitions of financial liabilities and equity instruments, the Group has classified such financial instruments or the components thereof as financial liabilities or equity instruments upon initial recognition.

10.4.1 Classification, confirmation and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit and loss of the current period and other financial liabilities upon initial recognition.

10.4.1.1 Financial liabilities at fair value through profit and loss of the current period

Financial liabilities at fair value through profit and loss of the current period comprise of financial liabilities held for trading purpose (including derivatives of financial liabilities) and financial liabilities designated as measured at fair value through profit and loss of the current period. Except for derivatives of financial liabilities, which are presented separately, financial liabilities at fair value through profit and loss of the current period are presented as financial liabilities held for trading.

Financial liabilities that fulfill one of the following conditions suggest that the Group assumes such financial liabilities for trading purpose:

- Assumption of the relevant financial liabilities is mainly for the purpose of the recent repurchases.
- The relevant financial liabilities, upon initial recognition, are part of a portfolio of identifiable financial instruments under centralized management, and available objective evidence shows the recent and actual existence of a short-term profit-making model.
- The relevant financial liabilities are derivatives, except derivatives which satisfy the definition of financial guarantee contract and derivatives designated as effective hedging instruments.

Financial liabilities can be designated, upon initial recognition, by the Group as financial liabilities at fair value through profit and loss of the current period, provided that they have satisfied one of the following conditions: (1) such designation can eliminate or substantially reduce accounting mismatches; (2) managing and evaluating the performance of portfolios of financial liabilities, or portfolios of financial assets and financial liabilities, on fair value basis and reporting internally to key personnel of the Group on this basis in accordance with the risk management or investment strategies specified in formal written documents of the Group; (3) hybrid contracts, with embedded derivatives, have satisfied the conditions.

Financial liabilities held for trading purpose use fair value for subsequent measurement, gains or losses arise from changes in fair value and the dividends or interest expenses relating to such financial liabilities are accounted in the profit and loss of the current period.

For financial liabilities designated at fair value through profit and loss of the current period, changes in fair value of such financial liabilities caused by changes in the Group's own credit risks shall be included in other comprehensive income, and other changes in fair value shall be included in the profit and loss of the current period. On derecognition of such financial liabilities, the accumulated amount of changes in fair value as a result of changes in our own credit risk included previously in other comprehensive income shall be transferred to retained earnings. Dividends or interest expenses relating to such financial liabilities shall be included in the profit and loss of the current period. If handling the effect of changes in credit risk of such financial liabilities according to the aforesaid method would cause or magnify the accounting mismatches in profit and loss, the Group will include all gains or losses of those financial liabilities (including the amount affected by changes in their own credit risk) in the profit and losses of the current period.

10.4.1.2 Other financial liabilities

Excluding transfer of financial assets not complying with derecognition conditions, or financial liabilities as a result of continuous involvement in transferred financial assets, as well as the financial guarantee contracts, the other financial liabilities will be classified as financial liabilities measured at amortized cost, subsequent measurement will be based on amortized cost, gains or losses on derecognition or amortization will be accounted in the profit and loss of the current period.

If the Group and the counterparty have revised or renegotiated the contract, this has not resulted in the derecognition of financial liabilities measured at amortized cost for subsequent measurement, but has caused changes in the contractual cash flows, then the Group should recalculate the book value of such financial liabilities, and the relevant gains or losses shall be accounted in the profit and loss of the current period. The recalculated book value of such financial liabilities will be determined by the Group by discounting the cash flows from the renegotiated or revised contract with the original effect interest rate of the financial liabilities. All costs or expenses incurred in the revision or renegotiation of the contract will be reflected in the adjusted book value of financial liabilities after such revision, and will be amortized during the remaining period of the revised financial liabilities.

10.4.1.2.1 Financial guarantee contract

Financial guarantee contract refers to a contract that requests the issuer to provide a specific amount of compensation to the contract holder who suffers losses when a specific debtor fails to repay the debt on due date according to the initial or revised terms of the debt instrument. In respect of financial liabilities which are not designated at fair value through profit and loss of the current period, or in respect of financial guarantee contract for financial liabilities arising from transfer of financial assets not complying with derecognition conditions or continuous involvement in the transferred financial assets, the measurement after initial recognition will be based on the amount of provision for losses, or the balance of initial recognized amount after deducting the accumulated amortized amount confirmed in accordance with the relevant

provisions of the Revenue Standard, whichever the higher.

10.4.2 Derecognition of financial liabilities

When the existing obligations of a financial liability have been wholly or partially discharged, such financial liability or such part of it will be derecognized. When the Group (as borrower) and the lender enter into an agreement to undertake new financial liabilities for replacing the original financial liabilities, if substantive difference exists in the contractual terms between the new financial liabilities and the original financial liabilities, the Group should derecognize the original financial liabilities while at the same time recognizes the new financial liabilities.

When a financial liability is wholly or partially derecognized, the difference between the book value of the derecognized portion and the consideration paid (including non-cash asset transferred out or new financial liabilities undertaken) will be accounted in the profit and loss of the current period.

10.4.3 Equity instrument

Equity instrument refers to a contract which can prove the ownership of remainder interest in assets after deducting all liabilities of the Group. The Group issues (including refinances), repurchases, sells or cancels equity instruments for treatment of changes in equity. The Group will not recognize changes in the fair value of equity instruments. Trading expenses relating to equity transactions will be deducted from equity.

The Group's distribution to holder of equity instrument is treated as profit distribution, the share dividends paid out will not affect the total equity of shareholders.

10.5 Derivatives and embedded derivatives

Derivatives include foreign exchange forward contract, foreign exchange option contract and interest rate swap contract, etc. Derivatives are measured at fair value initially on the date of signing the relevant contract and will be measured at fair value for subsequent measurement.

For a hybrid contract constituted by an embedded derivative and a master contract, if the master contract is in respect of a financial asset, the Group will not split the embedded derivative from the hybrid contract, but will consider such hybrid contract as a whole unit to which the accounting standards and rules for classification of financial assets are applicable.

If the master contract included in the hybrid contract is not in respect of a financial asset, and fulfills the following conditions at the same time, the Group will split the embedded derivative from the hybrid contract to be treated as a separate subsisting derivative.

- (1) The economic characteristics and risks of the embedded derivative are not closely connected to the economic characteristics and risks of the master contract.
- (2) A separate instrument containing the same terms as the embedded derivative fits the definition of a derivative.
- (3) The hybrid contract is not measured at fair value and changes in fair value are accounted through profit and loss of the current period.

If an embedded derivative is split from the hybrid contract, the accounting treatment adopted by the Group for the master contract within the hybrid contract will be in accordance with the applicable accounting standards and rules. If the Group is unable to measure the fair value of the embedded derivative reliably according to the terms and conditions of the embedded derivative, the fair value of such embedded derivative will be determined by the difference between the fair value of the hybrid contract and the fair value of the master contract. After adoption of the above method, if the fair value of such embedded derivative is still unable to be measured separately on the acquisition date or subsequent balance sheet date, the Group will designate the entire hybrid contract as a financial instrument measured at fair value through profit and loss of the current period.

10.6 Offsetting between financial assets and financial liabilities

When the Group has legal right to offset the recognized financial assets and financial liabilities, and such legal right is enforceable currently, while at the same time the Group plans to perform netting settlement, or to liquidate the financial asset and repay the financial liability at the same time, the amount after offsetting between the financial asset and financial liability will be presented in the balance sheet. Save as said above, the financial asset and financial liability are presented separately in the balance sheet without offsetting each other.

11. Receivables for Financing

Among the notes receivable measured at fair value through other comprehensive income, the ones with a term of less than (including) one year since they are acquired will be listed as receivables for financing; the ones with a term of more than (including) one year since they are acquired will be listed as other debt investment. The relevant accounting policy is explained in Note (III), 10.1, 10.2 and 10.3.

12. Inventories

12.1 Categories of inventories

The Group's inventory mainly includes finished products, products in process, raw materials and contract performance costs that held in daily activities. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the moving weighted average method.

12.3 Basis for determining net realizable value of inventories

The inventory is measured according to cost and net realizable value, whichever is lower, on the date of balance sheet. When the net realizable value is lower than cost, withdraw inventory impairment reserves.

The net realizable value refers to the amount derived by deducting the potential cost, estimated selling expense and relative taxes to the completion date from the estimated sales price of inventory in daily activities. When determining net realizable value of inventories, take the obtained conclusive evidence as basis and consider the purposes of holding inventories and influence of events after the balance sheet date.

For the low-price stocks in large quantity, provision for the inventory price drops will be made based on the categories of stocks; for the stocks that are related to the products manufactured and sold in the same region, that have identical or similar ultimate use or purpose and that are hard to separate from other items when being measured, they are consolidated for provision for the inventory price drops; for other stocks, the provision for the inventory price drops will be made based on the cost of a single stock item in excess of the net realizable value.

After provision for inventory depreciation reserves is made, if the factors resulting in the write-down of inventory impairment have disappeared and causing the net realizable value higher than its book value, such inventory impairment provision are recovered and reversed, and the reversed amount recorded in profits and losses of the current period.

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

13. Contract Assets

13.1 Method and standard for determination of contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

13.2 Methods for determining and accounting of expected credit loss of contract assets

For details of methods for determining and accounting of expected credit loss of contract assets, please refer to Note (III)-10.2 Impairment of financial instruments.

14. Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions at the same time: (1) the asset or disposal group is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about a selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the book value and the net amount of the fair value less the cost of disposal. Where the carrying amount is higher than the net amount of fair value less the cost of disposal, the carrying amount should be reduced to the net amount of fair value less the cost of disposal, and such reduction is recognized as impairment loss of assets and included in profit or loss for the period. In the meantime, provision for impairment of held-for-sale assets is made. When there is an increase in the net amount of fair value of non-current assets held for sale less the cost of disposal at the subsequent balance sheet date, the original deduction should be reversed from impairment loss of assets recognized after the classification as held for sale, and the reversed amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification as held for sale is not reversed.

Non-current assets or non-current assets within disposal groups classified as held for sale are not depreciated or amortized, and the interests and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held for sale, it is no longer accounted through equity method since the date of the classification.

15. Long-term Equity Investment

15.1 Basis for determining joint control and significant influence over investee

Control is the power to govern an entity through participating in relevant activities of the investee; the investor is able to obtain variable benefits from its activities, and at same time, to use the control rights on the investee to influence the amount of returns. Joint control means that joint control for certain arrangement in accordance with relevant agreements; activities relevant to the arrangement cannot be decided until obtaining the unanimous consent of parties sharing control right. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee, such as current convertible debts, current executable warrants, etc., held by the investing enterprises or other parties shall be considered.

15.2 Determination of initial investment cost

For a long-term equity, investment acquired through a business combination involving enterprises under common control, the shares of merged party's book value of owners' equity in the final controlling party consolidated financial statements obtained on the merger date shall be considered as the initial investment cost of long-term equity investment. The differences between the initial investment cost of long-term equity investment and the paid cash, the transferred non-cash assets and the book value of the assumed debts are adjusted against the capital surplus; if the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings. In the case of issued equity securities treated as consolidation consideration, share of book value of owner's equity of merged party in the final controlling party consolidated financial statements is regarded as initial investment cost of long-term equity investments on the date of consolidation; capital reserve shall be adjusted in accordance with taking total nominal value of issued share as capital share, the difference between the initial investment cost of long-term equity investments and total book value of issued shares; In case the capital reserve is not enough for writing down, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, and the merging cost confirmed on the purchased date are regarded as the initial investment cost.

The intermediate expenses made by the combining party or purchaser for audit, legal service, assessment and other management related expenses during the business merger should be included into the current profit and loss as it happens.

Long-term equity investment obtained by other means other than long-term equity investment formed by business combination shall be initially measured at cost.

15.3 Subsequent measurement and recognition of profit or loss

15.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's financial statements. A subsidiary is an investee that is controlled by the Group.

The long-term equity investment accounted by the cost method shall be measured at its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted. Income from the investment in the current period shall be recognized in accordance with the cash dividends or profits declared and issued by the investee.

15.3.2 Long-term equity investment accounted for using the equity method

Except for investments in associates and joint ventures that are wholly or partly classified as holding assets for sale, the Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group can only exercise joint control along with other investors on the investee's net assets.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and comprehensive income for the period, meanwhile, the book value of the long-term equity investment shall be adjusted; The Group shall accordingly reduce the book value of the long-term equity investment in terms of the part that shall be enjoyed according to the profit or cash dividends declared by the

invested unit to be distributed; For other changes in the owners' equity of the invested unit other than net profits and losses, other comprehensive incomes and the profit distribution, the book value of long-term equity investment shall be adjusted and be included into the capital reserves. The Group shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested unit are different from those adopted by the Group, the adjustment shall be made for the financial statements of the invested unit in accordance with the accounting policies and accounting periods of the Group to recognize the investment income and other comprehensive incomes. For the transaction incurred between the group and associated enterprises and joint ventures, invested or sold assets don't constitute a business, the part that doesn't achieve internal transaction profit or loss or belongs to the Group calculated according to the enjoyed ratio will be offset, and the profit or loss on investment will be confirmed on this basis. But for the unrealized loss arising from the internal transaction between the Group and the invested unit, if such transaction loss is defined as the impairment loss of the transferred asset, they cannot be offset.

When the Group determines the net loss of the invested unit that shall be shared, it is necessary to write-down the book value of the long-term equity investment and other long-term equities substantially constituting the net investment of the invested unit to zero as a limit. Besides, if the Group is obliged to bear extra loss for the invested unit, it shall be necessary to determine provisions and record them to current investment loss in compliance with obligations expected to be assumed. If the invested unit realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets its attributable share of the un-confirmed losses, resume recognizing its attributable share of profits.

15.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period.

16. Fixed Assets

16.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

16.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Item	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Buildings and Constructions	20 years	10	4.5
General-purpose equipment	3-5 years	10	18.0-30.0
Special-purpose equipment	3-5 years	10	18.0-30.0
Transportation vehicles	5 years	10	18.0

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

16.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

17. Construction in Process

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs.

Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing Costs

Borrowing costs directly attributable to the acquisition & construction or production of assets eligible for capitalization shall be capitalized when assets expenditure, borrowing costs and necessary construction or production for bringing assets to expected conditions for use or marketing have taken place; when construction or production of assets ready for capitalization reach to expected conditions for use or marketing, capitalization shall be ceased. Other borrowing expenses are recognized as expenses in the current period.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

19. Intangible Assets

19.1 Intangible Assets Valuation Method, Service Life and Impairment Test

Intangible assets include land use right, intellectual property (IP), application software, and franchise, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. The useful life and predicted net residual value of various intangible assets are shown as follows:

Class	Service life (year)	Salvage value rate (%)
Land use right	40 or 50 years	-
IP Right	10 Years	-
Application Software	5-10 years	-
Franchise	Franchised operating period	-

The fees charged by the Group to those who acquire public products and services during the project operation period do not constitute an unconditional right to receive cash. When the PPP project assets are ready for their intended use, the difference between the consideration amount of the relevant PPP project assets or the amount of confirmed construction income and the amount of cash (or other financial assets) that is entitled to receive a determinable amount will be recognized as intangible assets.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

For the impairment test of intangible assets, please refer to Note (III), 20. Long-term asset impairment.

19.2 Accounting Policy for Internal Research and Development Expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The costs of the intangible assets generated by internal development activities only include the total expenditure incurred from the time point when the capitalization conditions are available to the point when the intangible assets are used for their intended purposes; for the expenditure that already becomes an expenditure

in the profit and loss statement before the capitalization conditions are available during development of the same intangible asset, no adjustment will be made.

20. Long-term Assets Impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, fixed assets, construction in process, and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount is determined by the higher of 1) net amount of fair value of the asset or asset group deducted by the disposal expenses; or 2) the present value of the expected future cash flows of the asset or asset group.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted as an impairment provision and is recognized in profit or loss for the period.

Goodwill impairment test shall be conducted at the end of each year at least. Goodwill impairment test shall be conducted in accordance with the concerned asset group or asset portfolio. That is to allocate the book value of goodwill to the asset group or asset portfolio that is expected to benefit from the synergies of the combination in a reasonable way from the date of purchasing. When recoverable amount of apportion-included asset group or asset portfolio of goodwill is less than book value of goodwill, impairment loss shall be recognized. Firstly, amount of impairment loss shall be apportioned to the book value of goodwill of the said asset group or asset portfolio, and then book value of other assets, except for goodwill, in asset group or asset portfolio shall be abated in proportion.

Once the impairment loss of such assets is recognized, it cannot be reversed in any subsequent period.

21. Long-term Deferred Expenses

Long-term deferred expenses are the expenses that are already incurred but will be shared in the current reporting period and later periods with amortization term of more than one year, mainly for the expenses on betterment of leased fixed assets and employee housing loan deferred interest. Long-term deferred expenses are evenly amortized in installments in three to five years during the expected benefit period.

22. Contract Liabilities

Contract liabilities refer to the obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers. Contract assets and contract liabilities under the same contract are presented in net terms.

23. Employee Compensation**23.1 Accountant Arrangement Method of Short-term Remuneration**

During accounting period when the Group's employees provide services, actual short-term remuneration shall be recognized as the liabilities and current profit and loss or relevant asset cost. The Group's employee benefits and welfare are included into current profit and loss or relevant asset cost according to actual amount occurred during the period. If the employee benefits and welfare is non-monetary, it shall be measured according to its fair value.

During the accounting period that the employees service the Group, the Group pays social insurance premiums such as medical insurance premium, industrial injury insurance premium, maternity insurance premium and housing accumulation fund for its employees, as well as labor union expenditure and employee education expenses calculated and withdrawn according to the regulations, corresponding employee remuneration amount shall be calculated and determined in accordance with specified calculation and withdrawal basis and proportion to recognize corresponding liabilities and included into the current profit and loss or relevant asset cost.

23.2 Accountant Arrangement Method of Post-employment Benefits

All post-employment benefits shall be considered as the defined contribution plan.

In the accounting period when the employee serves for the Group, the deposited amount calculated based on defined contribution plan shall be recognized as liabilities and included in the current profit and loss or relevant asset cost.

23.3 Accountant Arrangement Method of the Termination Benefits

Where the Group provides termination benefits, the employee remuneration liabilities caused by such termination benefits will be determined as the following date, whichever is earlier, and will be included in the current profit and loss: 1) When the Group cannot unilaterally withdraw the termination benefits provided due to labor relation cancellation plan or

employee lay-off suggestion; or 2) when the Group determines costs or expenses in relation with the restructuring of the paid termination benefits.

24. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, etc. And it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

25. Share-based Payment

Share-based payment refers to a transaction in which the Group grants the equity instruments or undertakes the equity-instrument-based liabilities in return for services from employees. The Group's share-based payment is an equity-settled share-based payment.

25.1 Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

25.2. Accounting treatment related to implementation, modification and termination of share-based payment arrangement

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred, other than a cancellation of some or all the equity instruments granted.

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

26. Revenue

26.1 Accounting policies applied in revenue recognition and measurement

The revenue of the Group is mainly generated from business types as follows:

(1) Revenue from sale of products

Product sales revenue is the revenue from sales of video surveillance products, smart home products, robotics products and other products of the Group.

(2) Project construction revenue

Project construction revenue is the revenue from constructions related to intelligent security solution projects and PPP Projects provided by the Group.

(3) Cloud service and other service revenue

Revenue from cloud services and other services refers to cloud services such as storage services, video services, and telephone services provided by the Group, maintenance services related to security projects, and other services, etc.

When (or as) a performance obligation in a contract was satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. A performance obligation is the Group's commitment to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer. The transaction price is the amount of consideration

to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group expects to refund to the customer.

The Group evaluates the contract on the commencement date of the contract, identifies the individual performance obligations contained in the contract and determines whether each individual performance obligation is to be performed over a certain period of time or at a certain point in time. Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group adopts the output method to determine the progress of performance, that is, the progress of contract performance is determined according to the value of the goods or services that have been transferred to the customer in the view of the customer. When the performance progress cannot be reasonably determined, and the costs incurred can be expected to be compensated, the Group recognizes revenue based on the amount of costs incurred until the performance progress can be reasonably determined.

If the contract contains two or more performance obligations, the Group allocates the transaction price to each single performance obligation on the contract start date in accordance with the relative proportion of the individual selling price of the goods or services promised by each single performance obligation. However, if there is strong evidence that the contract discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Group allocates the contract discount or variable consideration to the relevant one or more performances obligation. Individual selling price refers to the price at which the Group sells goods or services to customers separately. Where the individual selling price cannot be directly observed, the Group comprehensively considers all relevant information that can be reasonably obtained, and uses the observable input value to the maximum to estimate the individual selling price.

If there is variable consideration in the contract, the Group determines the best estimate of variable consideration based on the expected value or the most likely amount. The transaction price including variable consideration shall not exceed the amount that is likely to cause no significant reversal of accumulated recognized revenue when the relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration that should be included in the transaction price.

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to receive due to the transfer of goods or services to the customer, and recognizes expected liabilities in

accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset in accordance with the carrying amount during the expected transfer of returned goods after deducting the costs of the above net assets carried forward.

For sales with quality assurance clauses, if the quality assurance provides a separate service beyond the assurance to the customer that the goods or services sold meet established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group conducts accounting for quality assurance responsibilities in accordance with the *Accounting Standards for Business Enterprises No. 13-Contingencies*.

The additional purchase option of customers includes customer reward incentives. With respect to the additional purchase option with material rights provided to customers, the Group regards it as a single performance obligation, and recognizes relevant revenue upon obtaining the control over relevant goods or services by the customers who exercise the purchase option in future or upon lapse of such option. If a stand-alone selling price of the additional purchase option of customers is not directly observable, the Group shall consider all relevant information including the difference in discount obtained with and without the exercise of such option by customers and the possibility of exercising such option by customers during estimation.

If there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest rate method during the contract period. On the contract commencement date, the Group does not consider the significant financing components in the contract if the interval between the customer obtaining control of the goods or services and the price being paid by the customer is not more than one year.

The Group judges whether the Group's identity is the principal or agent when engaging in transactions based on whether it has control over the goods or services before transferring the goods or services to customers. If the Group is able to control the goods or services before transferring them to customers, the Group is the principal responsible person, and revenue is recognized based on the total amount of consideration received or receivable; otherwise, the Group is an agent and recognizes revenue based on the amount of commissions or fees which the Group is expected to be entitled to charge. The amount of commissions or fees is determined based on the total amount of consideration received or receivable net of the amount payable to other parties.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the advances from customers is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise,

the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

The Group, as a private capital, entered into a PPP project contract with the government and provided construction, operation, maintenance and other services. The Group identifies each individual performance obligation in the contract, and allocates the transaction price to each performance obligation based on the relative proportion of the stand-alone selling price of each performance obligation. When providing construction services or outsourcing projects to other parties, whether the identity of the Group is the principle or agent is determined, and then accounting for construction revenue to confirm the contract assets is made. After the PPP project is ready for use, the Group recognizes revenue related to operation and maintenance services.

27. Cost of Contract

27.1 Cost of obtaining a contract

Incremental costs incurred by the Group to obtain a contract (that is, costs that would not have occurred without a contract) and expected to be recovered are recognized as an asset, and amortized using the same basis as revenue recognition for the goods or services to which the asset relates, and included in current profit or loss. If the amortization period of the asset does not exceed one year, it is included in current profit or loss when it occurs. Other expenses incurred by the Group in order to obtain the contract shall be included in current profit or loss when incurred, unless it is clearly borne by the customer.

27.2 Cost of contract fulfillment

The cost of the Group's performance of a contract that does not fall within the scope of accounting standards other than the revenue standard and meets the following conditions is recognized as an asset: (1) The cost is directly related to a current or anticipated contract; (2) The cost increases the Group's resources for fulfilling performance obligations in the future; (3) The cost is expected to be recovered. The aforesaid assets are amortized on the same basis as the recognition of income from goods or services related to the assets, and are included in the current profit or loss.

The Group's asset in relation to contract costs are mainly contract performance costs, and they are included in inventories based on their current nature.

27.3 Impairment losses on assets related to contract costs

In determining impairment losses on assets related to contract costs, impairment losses are first determined for other assets recognized in accordance with other relevant ASBEs and related to the contract. Then, for assets related to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognized as asset impairment losses: (1) the remaining amount of consideration expected

to be obtained by the Group for the transfer of goods or services related to the asset; (2) the estimated costs to be incurred in connection with the transfer of such relevant goods or services.

After provision for impairment is made for the asset related to contract costs, if the difference between the above two items is higher than the carrying value of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying value of the asset after the reversal shall not exceed the carrying value of the asset on the reversal date assuming no provision for impairment is made.

28. Types of Governmental Subsidies and Accounting Treatment Methods

Government subsidies refer to the monetary and non-monetary assets obtained by the Group from the government for free. Government subsidies are recognized when they can meet the conditions attached to the government subsidies and can be received.

If a government subsidy is a monetary asset, it shall be measured at the amount received or receivable.

28.1 Judgment basis and Accountant treatment of government subsidy related to assets

The government subsidies for Chongqing Manufacture Base construction and etc. are used for constructions and forms long-term assets, and therefore are categorized as government subsidy related to assets.

A government grant related to an asset is recognized as deferred income, and it should be evenly amortized to profit or loss over the useful life of the related asset.

28.2 Judgment basis and accountant treatment of government subsidy related to income

The Group receives government subsidies including subsidies for special projects and Value-Added-Tax refund, etc. which are used to compensate the group-related costs or losses, and therefore are categorized as government subsidy related to income.

For a government grant related to income, if the subsidy is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the

related costs or losses are recognized; If the subsidy, such as VAT refund, is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

For government subsidies related to the Group's daily operations shall be booked into other income; for those not related to the Group's daily operations, shall be booked into non-operating income/expense.

29. Deferred Tax Assets / Deferred Tax Liabilities

The income tax expenses include current income tax and deferred income tax.

29.1. Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

29.2 Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized through the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the

temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates in the period in which the related assets are recovered or the related liabilities are recovered in accordance with the tax laws.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29.3 Offset of Income Tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

30. Lease

Lease refers to a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group assesses whether a contract is, or contains, a lease at the inception date. The Group does not re-assess whether

a contract contains a lease unless the terms and conditions of the contract are changed.

30.1 The Group as the lessee

30.1.1 Separating components of lease

In case the contract contains one or more lease and non-lease components, the Group separates each lease component and non-lease component, and allocates the consideration to the lease and non-lease components based on the proportion of relative stand-alone prices of the components.

30.1.2 Right-of-use assets

The Group recognizes the right-of-use assets for leases on the commencement date of the lease term, except for short-term lease and lease of low-value assets. The commencement date of the lease term refers to the date from which the lessor makes the leased assets available for use by the Group. Right-of-use assets are initially measured at cost. The cost includes:

- Initial measurement amount of lease liabilities;
- Amount of lease payment made at or before the commencement date of the lease, less any lease incentives received;
- Initial direct costs incurred by the Group;
- An estimate of any costs to be incurred by the Group in dismantling and removing the underlying asset, or restoring the site on which it is located, or restoring the leased assets to the conditions as agreed under the terms of the lease, excluding costs incurred to produce inventories.

The Group calculates depreciation of the right-of-use assets in accordance with the relevant depreciation provisions of *Accounting Standards for Business Enterprises No. 4 - Fixed Assets*. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset, unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term.

The Group determines whether the right-of-use assets are impaired and accounts for the identified impairment loss in accordance with the provisions of *Accounting Standards for Business Enterprises No. 8 - Impairment of Assets*.

30.1.3 Lease liabilities

The Group initially measures the lease liability on the commencement date at an amount equal to the present value of the lease payments during the lease term that are not paid at that date, except short-term lease and lease of low-value assets. In calculating the present value of the lease payments, the Group adopts the interest rate implicit in the lease as the discount rate. The Group uses its incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

Lease payments refer to the payments made by the Group to the lessor in connection with the right to use the leased asset during the lease term, including:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option;
- Payments for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease;
- Amounts expected to be payable by the Group under residual value guarantees.

After the commencement date of the lease term, the Group calculates interest expense of lease liabilities in each period of lease term at fixed periodic rate and recognizes in the current loss and profit or relevant asset costs.

After the commencement date of the lease term, the Group remeasures the lease liability and adjusts the corresponding right-of-use assets under the following circumstances. If the carrying value of the right-of-use assets has been reduced to zero while the lease liability needs to be further reduced, the Group will recognize the difference into the current loss and profit:

- In case of any change of the lease term or any change in the valuation of the purchase option, the Group remeasures the lease liability at the present value calculated based on the modified lease payments and the revised discount rate;
- In the event of any change in the amount expected to be payable based on the residual value guarantees, the Group remeasures the lease liability at the present value calculated based on the changed lease payments and the original discount rate.

30.1.4 Short-term lease and lease of low-value assets

The Group has elected not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Short-term lease refers to lease with a term no more than 12 months from the commencement date of lease term and without purchase option. Lease of low-value assets refers to lease for single lease asset with low value when it is new. The Group recognizes lease payments under short-term leases and leases of low-value assets as the current loss and profit or the relevant asset costs on a straight-line basis over each period during the lease term.

30.1.5 Lease modification

In case of lease modification, the Group makes accounting treatment of such lease change as a separate lease if all of the following conditions are met:

- Such lease modification increases the scope of the lease by adding the right to use one or more lease assets;
- The increased consideration is commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to reflect the circumstances of the particular contract.

Where accounting treatment is not made for lease modification as a separate lease, at the effective date of lease modification, the Group reallocates the contract consideration after the modification, redetermines the lease term, and remeasures the lease liability based on the present value calculated according to the modified lease payments and the revised discount rate.

In the event that the lease scope is decreased or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets, and recognizes the relevant gains or losses relating to the partial or full termination of the lease in the income statement; for the lease liabilities remeasured due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

30.1.6 Sale-leaseback transactions

The Group as the seller-lessee

The Group assesses and determines whether the transfer of the asset in sale and leaseback transaction qualifies as a sale in accordance with the provisions of *Accounting Standards for Business Enterprises No. 14 - Revenue*. If the transfer does not qualify as a sale, the Group continues to recognize the transferred asset and at the same time recognize a financial liability equal to the transfer proceeds and account for the financial liability in accordance with the provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. If the transfer of the asset qualifies as a sale, the Group measures the right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained. The gain or loss recognized is limited to the proportion of the total gain or loss that relates to the rights transferred to the lessor.

30.2 The Group as the lessor

30.2.1 Separating components of lease

In case the contract contains both lease and non-lease components, the Group allocates the contract consideration in accordance with the provisions of *Accounting Standards for Business Enterprises No. 14 - Revenue* on portion of transaction prices, based on the respective stand-alone prices of the lease component and the non-lease component.

30.2.2 Classification of lease

Finance lease is a lease that substantially transfers all the risks and rewards of incidental to ownership of an underlying asset. Operating lease refers to the leases other than finance lease.

30.2.2.1 The Group records the operating lease business as the lessor

The Group recognizes the lease payments from operating leases as rental income on a straight-line basis for all periods over the lease term. The Group's initial direct costs incurred in connection with operating leases is capitalized as incurred, recognized in the income statement over the lease term on the same basis as the lease income.

30.2.2.2 The Group records the finance lease business as the lessor

On the commencement date of the lease term, the Group uses the net lease investment as the carrying value of the finance lease receivables and derecognizes the finance lease assets. Net lease investment is the sum of present value of unguaranteed residual value and lease payments receivable discounted at the interest rate implicit in lease on the commencement date of the lease term.

Lease payments receivable, which refer to amounts receivable by the Group from the lessee for conveying the right to use the leased assets during the lease term, include:

- Fixed payment including in-substance fixed payments by the lessee, less any lease incentives payable;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
- Payments for terminating the lease (if the lease term reflects the lessee exercising the option to terminate the lease);
- Residual value guarantees provided to the Group by the lessee, a party related to the lessee, or a third party unrelated to the lessor that is capable of discharging the obligations under the guarantee.

The Group calculates and recognizes the interest income in each period of the lease term according to the fixed periodic interest rate.

30.2.3 Lease modification

In case of modification of the operating lease, the Group accounts for it as a new lease as of the effective date of the modification, any prepaid or accrued lease payments relating to the original lease are considered as payments for the new lease .

In case of modification of the finance lease, the Group accounts for the modification of a finance lease as a separate lease if all of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more lease assets;
- The consideration for the lease increases by an amount that is commensurate with the stand-alone price for the increase in scope, and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

If a modification of finance lease is not accounted for as a separate lease, the Group accounts for the changed lease under the following circumstances:

- If the modification becomes effective on the commencement date of the lease and the lease is classified as an operating lease, the Group accounts for it as a new lease from the effective date of the lease modification and measures as the net lease investment prior to the effective date of the lease modification as the carrying value of the leased asset.
- If the modification becomes effective on the commencement date of the lease and the lease is classified as a finance lease, the Group accounts for it in accordance with the provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments regarding the modification or renegotiation of contracts.

30.2.4 Sale and leaseback transaction

The Group as the buyer-lessor

If the transfer of the asset in a sale and leaseback transaction does not qualify as a sale, the Group does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds and account for the financial asset in accordance with the provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. If the transfer of the asset qualifies as a sale, the Group accounts for the purchase of the asset in accordance with other applicable Accounting Standards for Business Enterprises and account for the lease of the asset.

31. Important Judgments while Applying Accounting Policy, and Key Assumptions and Uncertainty Factors Applied for Accounting Estimate

During the process of using accounting policy described in note (III), due to the uncertainty in operation activities, the group should judge, estimate and assume the book value of the report items which may not be metered reliably. These judgments, estimates and assumptions are based on the historical experience of the Group's management and other related factors. Differences may exist between the actual results and the Group's estimate.

The Group regularly reviews the above judgments, assumptions and estimations on the basis of continuous operation. If the changes of accounting estimate only influence current period, the influence amount will be affirmed during the changing period; if it influences the current period and subsequent periods, the influence amount will be recognized in the current period and future period.

- Key assumptions and uncertainties used in accounting estimate

On balance sheet date, key assumptions and uncertainties for performing accounting estimates on book value of assets and liabilities in subsequent future periods are:

Impairment provision for inventories

Except for contract performance costs, inventories are measured at the lower of cost or net realizable value. For raw materials, the latest or future actual purchase price is used as the basis for determining the net realizable value; For products in progress, the actual selling price of the latest or future finished product minus the estimated costs and costs that will be incurred when similar products are completed in the current period, the estimated selling expenses and related taxes to be incurred, is used as the basis for determining the net realizable value; For finished products, the actual selling price of the latest or future finished product minus the estimated selling expenses and related taxes will be incurred, is used as the basis for determining the net realizable value. The Group will regularly conduct a comprehensive stocktaking to review the impairment circumstances on defective, obsoleted or slow-moving inventory if any; in addition, the Group's management will regularly review the impairment circumstance of inventory with long storage time according to the inventory aging. The review procedure includes the comparison between book value of defective, obsoleted or slow-moving inventories and inventory with long storage time and its corresponding net realizable value in order to determine whether to withdraw provisions on the defective, obsoleted or slow-moving inventory and inventory with long storage time. Based on the above procedure, the Group's management deems that the full provision amounts have been withdrawn for inventory. For details, please refer to Note (V) 8.

Impairment of accounts receivable

Except for accounts receivable whose credit losses are determined on the basis of individual basis, the Group adopts an impairment matrix on a portfolio basis to determine its expected credit loss of the relevant accounts receivable. The Group divides the risk characteristics according to the region and object of its business, and divides the relevant accounts receivable into different portfolios. Based on the historical loss rate and consider reasonable and well-founded forward-looking information in the industry, the Group determines the proportion of corresponding loss reserves for different portfolios of various types of accounts receivable. As of December 31, 2022, based on the historically loss rate and consider reasonable and well-founded forward-looking information in the industry, the Group determines the corresponding proportion of loss provision for accounts receivable. The amount of the provision for expected credit losses will change as the estimation of the Group. The details on the provision for expected credit losses of the accounts receivable of the Group are given in Note (V) 4.

Useful life and predicted net residual value of fixed asset

The Group's estimation of fixed assets useful life is based on the historical experience of actual usable term of fixed assets with similar properties and functions, the estimation of predicted net residual value is the amount obtained currently by the Group from the assets after deducting the anticipated disposal expense based on the anticipated status assuming the conditions that fixed assets' predicted useful life expires and fixed assets are at the end of useful life. The Group shall conduct the review on the predicted service life and predicted net residual value of fixed assets at least annually. For the current reporting period, the Group's management did not see signs either indicating a shortened or extended useful life of

the Group's fixed asset or indicating a change in predicted net residual value.

Accrued liabilities of product quality warranty

Accrued liabilities of product quality assurance are costs and expenses incurred to meet the established standards of product quality assurance obligations to customers in accordance with the product contract; the Group made such an estimation according to the predicted repair and replacement cost of relevant products. The estimation considers the product claim rate trend, historic defect rate, industry practice and other major estimations. The management deems that the current estimation on accrued liabilities of product quality warranty is reasonable, however, the Group will continue to review the conditions of product repairs, and will conduct adjustment if any sign indicating the need to make adjustments on accounting estimates.

Deferred tax assets and deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured at the applicable income tax rate during the period when the relevant asset is expected to be recovered or the relevant debt is expected to be paid off. The expected applicable income tax rate is determined according to the relevant current tax regulations and the actual situation of the Group. If the estimated income tax rate is different from the original estimate, the management of the Group will adjust it.

The realization of deferred income tax assets mainly depends on the actual future taxable income, taxable temporary differences, and the effective tax rate of temporary difference in the future applicable years. If the actual taxable income and taxable temporary differences in the future is less than the estimation, or actual tax rate is lower than the estimation, then the confirmed deferred income tax assets will be reversed and confirmed in the income statement during the corresponding period. If the actual taxable income and taxable temporary differences in the future is more than the estimation, or actual tax rate is higher than the estimation, then the deferred tax assets that are partially unrecognized deductible losses and deductible temporary differences will be recognized and confirmed in the income statement during the corresponding period.

Goodwill impairment

When performing impairment test on goodwill, the predicted present value of future cash flows of relevant asset group or asset group portfolio included the goodwill need to be calculated, the future cash flows of relevant asset group or asset group portfolio need to be estimated, and the proper pretax rate that fairly reflects the current market time value of money

and specific asset risk need to be determined. When the future actual result is different from the original estimation, the goodwill impairment loss will alter.

Fair value measurement and valuation process

Held-for-trading financial assets, receivables for financing, and other non-current financial assets of the Group are measured at fair value in the financial statement. When evaluating the fair value of these assets, the Group preferably uses obtainable and observable market data. If no observable data is available, the Group will organize an internal evaluation panel or hire qualified third-party valuers to conduct valuation. The Finance Department and evaluation panel of the Group will work closely with the hired valuers to determine appropriate valuation techniques and the input values of the valuation model. The valuation techniques and input values used for evaluating the fair value of various assets are disclosed in Note (IX).

32. Significant Alternation in Accounting Policy and Accounting Estimations

Interpretation No. 15 of Accounting Standards for Business Enterprises

The Ministry of Finance issued the *Interpretation No. 15 of Accounting Standards for Business Enterprises* (the "Interpretation No. 15") on December 30, 2021. It specifies the accounting treatment and determination of loss contracts for the sales of products or by-products that are produced before the fixed assets reach the expected conditions for use or during the R&D process.

Accounting treatment for the sales of products or by-products that are produced before the fixed assets reach the expected conditions for use or during the R&D process

The Interpretation No. 15 states that if an enterprise sells the products or by-products that are produced before the fixed assets reach the expected conditions for use or during the R&D process, the revenue and costs related to trial sales should be accounted for separately in accordance with *ASBE No. 14 - Revenue* and *ASBE No. 1 - Inventory* and other regulations, and included in the current profit or loss, and the net amount after offsetting the costs of trial sales shall not be offset against the costs of fixed assets or R&D expenditure. Moreover, the enterprise shall separately disclose in the notes the amount of the revenue and costs related to trial sales, the specific items presented and the significant accounting estimates used to determine the costs related to trial sales and other relevant information. As this regulation is effective as of January 1, 2022, a retroactive adjustment shall be made to trial sales that occurred between the beginning of the earliest period presented in the financial statements and January 1, 2022.

The products produced by the Group in the course of research and development during the reporting period have been accounted for in accordance with the above principles and the adoption of this provision has not had a material impact on the Group's financial statements.

Determination of loss contracts

The Interpretation No. 15 defines that the "costs of contract performance" an enterprise considers in determining whether the contract is a loss contract shall include the incremental costs of contract performance and the apportioned amount of other costs directly related to contract performance. This regulation is effective as of January 1, 2022. Enterprises shall apply this regulation to contracts with outstanding obligations as of January 1, 2022, and make a cumulative-effect adjustment to retained earnings and other related financial statement items as of the beginning of the year of the effective date of such regulation, but not to prior-period comparative financial statement data.

The Group has assessed that the adoption of this regulation does not have a material impact on the Group's financial statements.

Interpretation No. 16 of Accounting Standards for Business Enterprises

The Ministry of Finance issued the *Interpretation No. 16 of Accounting Standards for Business Enterprises* (the "Interpretation No. 16") on November 30, 2022. It specifies the accounting treatment of the income tax effects on dividends related to financial instruments classified as equity instruments by an issuer and the accounting treatment of the modification of cash-settled share-based payments to equity-settled share-based payments by an enterprise.

Accounting treatment of the income tax effects on dividends related to financial instruments classified as equity instruments by an issuer

The Interpretation No. 16 defines that if dividend expenses related to financial instruments classified as equity instruments by an enterprise in accordance with *ASBE No. 37 - Presentation of Financial Instruments* and other regulations are deducted before corporate income tax in accordance with the relevant provisions of the tax policy, the enterprise shall recognize the dividend payable, and include the income tax effects on the dividend in the current profit or loss or owner's equity items by applying the same accounting treatment as that applied to the previous transaction or item generating distributable profit. This regulation is effective as of November 30, 2022. If the recognition of dividends payable for financial instruments classified as equity instruments occurs between January 1, 2022 and the effective date of the regulation and involves income tax effects not treated in accordance with the aforesaid provisions, adjustments shall be made in accordance with these provisions. If the recognition of dividends payable for financial instruments classified as equity instruments occurs before January 1, 2022 and involves income tax effects not treated in accordance with the

aforesaid provisions and the related financial instruments have not been derecognized as of January 1, 2022, retroactive adjustments should be made.

The Group has assessed that the adoption of this regulation does not have any impact on the Group's financial statements.

Accounting treatment of the modification of cash-settled share-based payments to equity-settled share-based payments by an enterprise

The Interpretation No. 16 stipulates that if an enterprise modifies a cash-settled share-based payment to an equity-settled share-based payment by changing terms and conditions of the cash-settled share-based payment agreement, the enterprise shall, on the date of modification, measure the equity-settled share-based payment at the fair value of the equity instrument granted on that date, record the acquired services in capital surplus, derecognize the liability recognized for the cash-settled share-based payment on the date of modification, and include the difference between the two in the current profit or loss. This regulation is effective as of November 30, 2022. For new transactions made between January 1, 2022 and the effective date of the regulation, enterprises shall make adjustments in accordance with the regulation. For transactions made before January 1, 2022 and not handled in accordance with this regulation, enterprises shall make a cumulative-effect adjustment to retained earnings and other related financial statement items as of January 1, 2022, but not to the information during the comparable period.

The Group has assessed that the adoption of this regulation does not have any impact on the Group's financial statements.

IV. Taxes

1. Major Categories of Taxes and Tax Rates

Category of tax	Basis of tax computation	Tax rate
Enterprise income tax	Taxable income	25% (Note 1)
VAT	For the taxable product sales revenue or taxable labor revenue, the Company and its domestic subsidiaries are ordinary Value-added Tax payers; the VAT payable is the balance of input tax after deducting the deductible output tax.	6%, 9%, 13% and simple collection rate of 5%, 3% (Note 3)
City maintenance and construction tax	Actual payable turnover tax	7%, 5%
Education surcharges	Actual payable turnover tax	3%
Local education surcharges	Actual payable turnover tax	2%

Note 1: Except that this Company and subsidiaries in China are applicable to the following tax preference, this Company's other subsidiaries in China are applicable to 25% of enterprise income tax rate, the overseas subsidiaries are applicable to corresponding local tax rate.

- (1) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29, 2020, the Company was identified as the high-tech enterprise with a valid term of 3 years and the preferential tax period is from 2020 to 2022.

According to the *Announcement on the Enterprise Income Tax Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry* (Ministry of Finance, State Administration of Taxation, National Development and Reform Commission, Ministry of Industry and Information Technology Announcement [2020] No. 45), the Company was approved by the tax authorities in May 2022 to pay the 2021 annual corporate income tax at the rate of 10%. As of the approval date of this report, the Company's preferential income tax in 2022 has not been verified and approved. Therefore, the Company's enterprise income tax in 2022 is still calculated and paid at the rate of 15% (2021: 10%).

- (2) In accordance with Finance and Taxation [2011] No. 58 Document of Ministry of Finance, State Administration of Taxation and General Administration of Customs, the subsidiaries, Chongqing Hikvision Technology Co., Ltd. (hereinafter referred to as "Chongqing Technology") and Chongqing Hikvision System Technology Co., Ltd. (hereinafter referred to as "Chongqing System"), are qualified to enjoy the west development preferential tax policy from 2011 to 2020. According to the *Announcement on Continuation of the Corporate Income Tax Policy for the Western Development* (Ministry of Finance, State Administration of Taxation, National Development and Reform Commission Announcement [2020] No.23), the subsidiaries of the Company, Chongqing Technology and Chongqing System will enjoy the preferential policies for the Western Development from 2021 to 2030. Therefore, the current enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2021:15%).
- (3) According to the *Recording List of the First Batch of identified High-tech Enterprises of Zhejiang Province in 2021* issued by the Leading Group Office of National High-tech Enterprise Identification Management Work on January 24, 2022, Fuyang Baotai, a subsidiary of the Company, is identified as a high-tech enterprise, and the validity period of the identification is 3 years and the preferential tax period is from 2021 to 2023. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2021:15%).
- (4) In accordance with the *List of High-tech Enterprises Recognized by Zhejiang Provincial Identification Institution in 2022* issued by the leading group office of Zhejiang high-tech enterprise identification management work on December 24, 2022, the Company's subsidiary, Hangzhou Hikvision System Technology Ltd. (hereinafter referred to

as "Hangzhou System") and Hangzhou Kuangxin Technology Co., Ltd. (hereinafter referred to as "Hangzhou Kuangxin"), was recognized as a high-tech enterprise and was valid for 3 years and the preferential tax period is from 2022 to 2024. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2021:15%).

- (5) In accordance with the *Notice on Publishing the List of Third Batch of Proposed Identified High-tech Enterprises of Shanghai in 2020* issued by Shanghai High-tech Enterprise Identification Office on November 20, 2020, the Company's subsidiary, Shanghai Goldway Intelligent Transportation System Co., Ltd. was identified as the high-tech enterprise with a valid term of 3 years and the preferential tax period is from 2020 to 2022. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2021:15%).
- (6) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29, 2020, the Company's subsidiaries, Hangzhou Hikrobot Technology Co., Ltd. (formerly known as Hangzhou Hikrobot Technology Ltd. and hereinafter referred to as "HikRobot"), Hangzhou Hikauto Software Co., Ltd. (hereinafter referred to as "HikAuto Software") and Hangzhou Hikimaging Technology Co., Ltd. (hereinafter referred to as "HikImaging Technology") were identified as the high-tech enterprises with a valid term of 3 years and the preferential tax period is from 2020 to 2022. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2021:15%).
- (7) In accordance with the *Announcement on the Filing of High-tech Enterprises Recognized by Zhejiang Provincial Identification Institution in 2022* issued by the Leading Group Office of National High-tech Enterprise Identification Management on January 17, 2023, the Company's subsidiary, Hangzhou Hikmicro Sensing Technology Co., Ltd. (hereinafter referred to as "Hikmicro Sensing") were identified as the high-tech enterprises with a valid term of 3 years and the preferential tax period is from 2022 to 2024.

According to the Ministry of Industry and Information Technology of the People's Republic of China, the National Development and Reform Commission, the Ministry of Finance and the National State Administration of Taxation, No. 9 of 2021 *Announcement on the Enterprise Income Tax Policy for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry* (Ministry of Finance, State Administration of Taxation, National Development and Reform Commission, Ministry of Industry and Information Technology Announcement [2020] No. 45), *Notice on Requirements for Formulating Lists of Integrated Circuit Enterprises, Projects and Software Enterprises enjoying Preferential Tax Policies* (Fa Gai Gao Ji [2021] No. 413), Hikmicro Sensing was identified as a key integrated circuit design enterprise in May 2022. The qualified enterprise will be exempted from corporate income tax for the first year to the fifth year from the profitable year, and levied at a reduced rate of 10% in the subsequent years. The year of 2022 is the second year of Hikmicro Sensing making profits and is exempt from enterprise income tax (2021: tax-exempted).

- (8) In accordance with the *Announcement on the Enterprise Income Tax Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry* (Ministry of Finance, State Administration of Taxation, National Development and Reform Commission, Ministry of Industry and Information Technology Announcement [2020] No. 45), enterprises engaging in integrated circuit design, equipment, materials, packaging, testing and software encouraged by the state are entitled to exemption from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. The Company's subsidiaries, Hangzhou EZVIZ Software Ltd. (hereinafter referred to as "Hangzhou EZVIZ Software") and Hangzhou Microimage Software Co., Ltd. (hereinafter referred to as "Hangzhou Microimage Software"), are qualified software companies and enjoy the preferential collection of corporate income tax at half the statutory tax rate of 25% in 2022 (2021: tax-exempted).
- (9) According to the *Recording List of the First Batch of identified High-tech Enterprises of Zhejiang Province in 2021* issued by the Leading Group Office of National High-tech Enterprise Identification Management Work on January 24, 2022, the Company's subsidiaries Hangzhou Hikstorage Technology Co., Ltd. ("Hikstorage Technology") is identified as a high-tech enterprise with a validity period of 3 years and the preferential tax period is from 2021 to 2023. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2021: 15%).

No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, as for self-developed software products sales of the Company, Hangzhou System, HikRobot, HikAuto Software, Hangzhou EZVIZ Software, Hikstorage Technology, Hikimaging Technology, Hangzhou Hikfire Technology Co., Ltd. (hereinafter referred to as "HikFire Technology"), Hangzhou Rayin Technology Co., Ltd. (hereinafter referred to as "Hangzhou Rayin Technology"), Hangzhou Microimage Software, Henan Haikang Hua'an BaoQuan Electronics Co., Ltd. (hereinafter referred to as "Hua'an BaoQuan Electronics"), Hangzhou Kuangxin, Fuyang Baotai and Zhejiang Hailai Yunzhi Technology Co., Ltd., the VAT shall be calculated and paid with tax rate of 13% at first, then the portion with actual tax bearing excess 3% shall be refunded after State Administration of Taxation reviews.

Note 3: In accordance with the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Joint Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, from April 1, 2019 to December 31, 2021, taxpayers in the production and living services industry are allowed to deduct an additional 10% of the current deductible input tax to deduct the tax payable ("Additional Deduction Policy"). According to the *Several Policies on Promoting the Recovery and Development of Difficult Industries in the Service Industry* Fa Gai Cai Jin [2022] No. 271, the VAT deduction policy for the service industry will be continued, and the input tax deductible for the current period of taxpayers in the production and life service industries will continue to be deducted by 10% and 15% respectively in 2022. The Company's subsidiaries, a part of Hangzhou Hikvision Technology Ltd.'s branches, Chongqing System, Hangzhou Hikvision Security Equipment Leasing Service Co., Ltd., Anhui Hikvision Urban Operation Service Co., Ltd., a part of Hangzhou EZVIZ Network Co., Ltd. (hereinafter referred to as "EZVIZ Network")'s branches, Zhejiang Haikang City Service Co., Ltd. Luliang Branch, Henan Hua'an Bao Quan Intelligent Development Co., Ltd. Luoyang Branch, Henan Hua'an Security Services Co., Ltd., and Guizhou Haikang Transportation Big Data Co., Ltd. are complying with the provisions of the Additional Deduction Policy and were entitled to additional deduction preferential tax policy of input tax since 2022.

V. Notes to Items in the Consolidated Financial Statements

1. Cash and Bank Balances

Unit: RMB

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Cash:						
RMB	-	-	1,710.03	-	-	16,909.86
EUR	43,514.50	7.4229	323,003.75	41,743.98	7.2197	301,379.03
INR	1,759,047.96	0.0834	146,704.60	2,288,210.50	0.0857	196,099.64
USD	32,583.86	6.9646	226,933.53	33,133.82	6.3757	211,251.31
Other currencies	-	-	511,713.25	-	-	1,125,633.69
Bank balance:						
RMB	-	-	35,604,295,321.02	-	-	31,577,521,085.40
USD	369,237,191.93	6.9646	2,571,589,346.94	272,857,839.86	6.3757	1,739,659,729.57
EUR	116,323,339.53	7.4229	863,456,516.97	96,011,075.74	7.2197	693,171,163.55
GBP	14,606,954.81	8.3941	122,612,239.34	17,199,784.69	8.6064	148,028,226.97
INR	1,359,355,345.44	0.0834	113,370,235.81	1,092,845,025.79	0.0857	93,656,818.71
MXN	83,049,427.31	0.3577	29,706,780.15	75,249,325.96	0.3116	23,447,689.97
AED	12,105,289.40	1.8966	22,958,891.87	5,055,058.19	1.7361	8,776,086.53
PLN	13,600,844.40	1.5878	21,595,420.74	10,745,706.25	1.5717	16,889,026.51
BRL	16,530,324.26	1.3050	21,572,073.16	36,644,426.85	1.1436	41,906,566.54
HKD	22,764,985.95	0.8933	20,335,961.95	31,824,133.26	0.8176	26,019,411.35
THB	98,104,375.12	0.2014	19,758,221.15	121,837,799.11	0.1912	23,295,387.19
AUD	2,198,029.38	4.7138	10,361,070.89	1,886,989.36	4.6220	8,721,664.84
Other currencies	-	-	186,155,014.22	-	-	172,693,920.13
Other currency funds:						
RMB	-	-	361,751,169.54	-	-	112,293,072.17
USD	1,623,544.38	6.9646	11,307,337.16	3,595,184.37	6.3757	22,921,816.99
EUR	713,664.81	7.4229	5,297,462.51	580,030.78	7.2197	4,187,648.22
Other currencies	-	-	24,530,871.36	-	-	6,830,343.19
Total			40,011,863,999.94			34,721,870,931.36
Including: deposited in overseas banks			589,363,613.39			737,750,220.06

Details of other currency funds:

Unit: RMB

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Capitals with limitations:						
Bank acceptance bill	-	-	9,477,411.92	-	-	35,387,135.77
Deposits for letter of guarantee	-	-	126,434,505.79	-	-	51,980,170.28
Other security deposits	-	-	13,666,564.66	-	-	4,679,097.53
Other capitals with limitations	-	-	46,895,003.00	-	-	25,880,098.58
Subtotal			196,473,485.37			117,926,502.16
Capitals without limitations:						
Deposit in payment instrument provided by third-party and in securities account	-	-	205,579,877.47	-	-	27,469,681.96
Other currency funds in USD	93,664.25	6.9646	652,334.03	119,611.52	6.3757	762,607.17
Other currency funds in EUR	24,403.36	7.4229	181,143.70	10,262.10	7.2197	74,089.28
Subtotal			206,413,355.20			28,306,378.41
Total			402,886,840.57			146,232,880.57

2. Held-for-trading Financial Assets

Unit: RMB

Item	Closing Balance	Opening Balance
Financial assets measured at fair value through current gain and loss	12,807,438.36	34,320,010.83
Including: derivative financial assets	12,807,438.36	34,320,010.83
Total	12,807,438.36	34,320,010.83

On December 31, 2022, derivative financial assets are forward foreign exchange contracts, and they are not designated as hedging instruments, and the gains or losses arising from changes in their fair values are directly included in the current profit and loss.

3. Notes Receivable

1) Categories of notes receivable

Unit: RMB

Category	Closing Balance	Opening Balance
Bank acceptance bill	2,184,776,591.31	1,228,046,849.95
Commercial acceptance bill	335,211,567.92	294,714,055.35
Total	2,519,988,159.23	1,522,760,905.30

- 2) As of December 31, 2022, the pledged notes receivable by the Group is nil.
- 3) At the end of the current reporting period, notes receivable endorsed or discounted by the Group but not yet due at the balance sheet day

Unit: RMB

Category	Amount not derecognized as of December 31, 2022
Bank acceptance bill Note	1,241,880,022.19
Total	1,241,880,022.19

As of December 31, 2022, the Group gave RMB1,182,413,217.20 (2021: RMB711,238,103.83) undue bank acceptance bills to suppliers for endorsement and discounted RMB59,466,804.99 (2021: nil) undue bank acceptance to banks. Since the Group has not transferred almost all the risks and rewards of ownership of financial assets, the Group has not terminated its confirmation. For details, please refer to Note (V) 23 and Note (V) 30.3.

- 4) As of December 31, 2022, the Group transferred the defaulted notes receivable into accounts receivable.

Unit: RMB

Category	Amounts transferred into accounts receivable as of December 31, 2022
Commercial Acceptance Bill	29,536,416.13
Total	29,536,416.13

- 5) The Group believes except for bills that are transferred to accounts receivable due to the failure of the drawer to perform the contract, the bank acceptance bills and commercial acceptance bills held by the Group do not have significant credit risks. Therefore, no loss provision is made.

4. Accounts Receivable

- 1) Disclosure by aging

Unit: RMB

Item	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Within credit period	17,802,665,327.45	81,686,804.21	0.46
Within 1 year after exceeding credit period	10,468,264,283.90	535,593,193.42	5.12
1-2 years after exceeding credit period	1,906,850,057.03	374,959,383.05	19.66
2-3 years after exceeding credit period	907,553,767.72	379,943,208.42	41.86
3-4 years after exceeding credit period	762,308,314.38	569,164,750.98	74.66
Over 4 years after exceeding credit period	557,358,170.53	557,358,170.53	100.00
Subtotal	32,404,999,921.01	2,498,705,510.61	7.71

2) Classified disclosure of credit loss provision by methods

Unit: RMB

Category	Closing Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	32,404,999,921.01	100.00	2,498,705,510.61	7.71	29,906,294,410.40
Total	32,404,999,921.01	100.00	2,498,705,510.61	7.71	29,906,294,410.40
Category	Beginning Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	28,201,432,058.17	100.00	2,026,658,957.75	7.19	26,174,773,100.42
Total	28,201,432,058.17	100.00	2,026,658,957.75	7.19	26,174,773,100.42

Provision for credit loss by portfolios for accounts receivable

Unit: RMB

Customer	Closing balance		
	Carrying amount	Credit loss provision	Proportion (%)
Portfolio A	3,704,238,967.38	68,040,950.20	1.84
Portfolio B	21,545,877,335.97	2,222,360,508.89	10.31
Portfolio C	7,154,883,617.66	208,304,051.52	2.91
Total	32,404,999,921.01	2,498,705,510.61	7.71

Description of credit loss provision by portfolios for accounts receivable

As part of the Group's credit risk management, the Group uses the aging exceeding credit period of accounts receivable to assess the expected credit losses of accounts receivable formed by domestic and overseas sales business, and divides the risk characteristics into portfolio A, portfolio B and portfolio C, according to the business area and object. These three portfolios involve a large number of customers with the same risk characteristics. Aging information is able to reflect the solvency of these three types of customers when the accounts receivable are due.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

As of December 31, 2022 and January 1, 2022, the credit risk and expected credit losses of accounts receivable from portfolio A are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.03	2,958,550,090.46	952,575.87	2,957,597,514.59	0.04	3,095,392,524.62	1,291,742.49	3,094,100,782.13
Within 1 year after exceeding credit period	2.02	672,866,835.07	13,604,729.18	659,262,105.89	1.70	594,470,571.01	10,117,916.29	584,352,654.72
1-2 years after exceeding credit period	48.47	27,091,133.84	13,129,835.35	13,961,298.49	44.11	50,793,800.93	22,404,389.00	28,389,411.93
2-3 years after exceeding credit period	77.48	23,880,801.35	18,503,703.14	5,377,098.21	83.73	43,832,222.47	36,701,948.79	7,130,273.68
3-4 years after exceeding credit period	100.00	13,340,404.86	13,340,404.86	-	100.00	19,359,244.96	19,359,244.96	-
Over 4 years after exceeding credit period	100.00	8,509,701.80	8,509,701.80	-	100.00	2,653,390.61	2,653,390.61	-
Total	1.84	3,704,238,967.38	68,040,950.20	3,636,198,017.18	2.43	3,806,501,754.60	92,528,632.14	3,713,973,122.46

As of December 31, 2022 and January 1, 2022, the credit risk and expected credit losses of accounts receivable from portfolio B are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.76	8,531,459,822.34	65,085,907.08	8,466,373,915.26	1.99	8,575,278,759.81	170,679,301.15	8,404,599,458.66
Within 1 year after exceeding credit period	5.30	9,133,051,848.20	484,083,420.12	8,648,968,428.08	4.63	7,167,632,732.53	331,869,605.70	6,835,763,126.83
1-2 years after exceeding credit period	18.66	1,841,980,392.51	343,623,789.72	1,498,356,602.79	19.80	1,387,932,595.51	274,788,108.40	1,113,144,487.11
2-3 years after exceeding credit period	38.19	835,970,994.09	319,296,676.54	516,674,317.55	44.75	914,771,713.21	409,398,421.89	505,373,291.32
3-4 years after exceeding credit period	72.52	702,886,673.06	509,743,109.66	193,143,563.40	83.68	347,000,938.34	290,357,481.17	56,643,457.17
Over 4 years after exceeding credit period	100.00	500,527,605.77	500,527,605.77	-	100.00	288,831,015.89	288,831,015.89	-
Total	10.31	21,545,877,335.97	2,222,360,508.89	19,323,516,827.08	9.45	18,681,447,755.29	1,765,923,934.20	16,915,523,821.09

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

As of December 31, 2022 and January 1, 2022, the credit risk and expected credit losses of accounts receivable from portfolio C are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.25	6,312,655,414.65	15,648,321.26	6,297,007,093.39	0.12	4,954,201,263.39	5,863,712.80	4,948,337,550.59
Within 1 year after exceeding credit period	5.72	662,345,600.63	37,905,044.12	624,440,556.51	5.08	594,136,961.30	30,172,981.24	563,963,980.06
1-2 years after exceeding credit period	48.19	37,778,530.68	18,205,757.98	19,572,772.70	52.38	69,240,541.50	36,265,915.28	32,974,626.22
2-3 years after exceeding credit period	88.35	47,701,972.28	42,142,828.74	5,559,143.54	100.00	46,561,027.57	46,561,027.57	-
3-4 years after exceeding credit period	100.00	46,081,236.46	46,081,236.46	-	100.00	25,802,744.58	25,802,744.58	-
Over 4 years after exceeding credit period	100.00	48,320,862.96	48,320,862.96	-	100.00	23,540,009.94	23,540,009.94	-
Total	2.91	7,154,883,617.66	208,304,051.52	6,946,579,566.14	2.94	5,713,482,548.28	168,206,391.41	5,545,276,156.87

3) Credit loss provision

Provision, re-collection, or reverse of the credit loss provision in the current reporting period

Unit: RMB

Credit loss provision	Total
Balance on January 1, 2022	2,026,658,957.75
Provision/(reverse) during the current reporting period	532,337,205.31
Derecognition of financial assets (including direct write-downs) and transfer out	(61,413,372.39)
Difference arised from foreign currency statement translation	1,122,719.94
Balance on December 31, 2022	2,498,705,510.61

In the current reporting period, the amount of actual accounts receivable write-off is RMB 61,413,372.39.

4) Top five debtors based on corresponding closing balance of accounts receivable

Unit: RMB

Name of the Party	Closing balance	Proportion (%) of the total balance of accounts receivable at the end of the current reporting period	Closing balance for credit loss provision
CETC's subsidiary company A (Note)	289,926,400.73	0.89	147,074,800.81
Third Party A	223,037,956.64	0.69	557,594.89
Third Party B	215,186,541.42	0.66	38,545,214.14
Third Party C	154,227,240.01	0.48	6,554,657.70
Third Party D	142,785,139.22	0.44	356,963.07
Total	1,025,163,278.02	3.16	193,089,230.61

Note: A subsidiary of CETC is a subsidiary of China Electronics Technology Group Co., Ltd., the Company's ultimate controller.

- 5) As of December 31, 2022, there is no termination of accounts receivable booking due to transfer of a financial asset.
- 6) As of December 31, 2022, the Group has no assets/liabilities booked due to transferred accounts receivable that the Group still continue to be involved in.

5. Receivables for Financing

1) Receivables for financing by categories

Unit: RMB

Item	Closing Balance	Opening Balance
Bank acceptance bill	1,484,218,258.74	1,316,035,122.06
Total	1,484,218,258.74	1,316,035,122.06

2) At the end of the reporting period, the Group's pledged receivables for financing

Unit: RMB

Item	Amount pledged as of December 31, 2022
Bank acceptance bill	10,312.23
Total	10,312.23

3) At the end of the reporting period, receivables for financing endorsed or discounted by the Group that have not yet expired on the balance sheet date.

Unit: RMB

Item	Derecognized amount as of December 31, 2022
Bank acceptance bill	1,908,510,492.86
Total	1,908,510,492.86

- 4) The Group believes that the acceptance bank's credit rating of the bank acceptance bill held is high, and there is no significant credit risk, so no loss provision is made.

6. Prepayment

- 1) Prepayments by aging analysis

Unit: RMB

Aging	Closing Balance		Opening Balance	
	Carrying amount	Proportion (%)	Carrying amount	Proportion (%)
Within 1 year	467,175,741.37	87.36	472,051,582.19	93.33
1-2 years	60,041,088.41	11.23	16,837,633.29	3.33
2-3 years	4,732,310.18	0.88	12,180,525.79	2.41
Over 3 years	2,830,980.56	0.53	4,728,512.08	0.93
Total	534,780,120.52	100.00	505,798,253.35	100.00

- 2) Closing balances of top five prepayments parties

As of December 31, 2022, the Group's top five balances of prepayments amounted to RMB163,448,162.33, accounting for 30.56% of total closing balance of prepayments.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

7. Other Receivables

1) Other receivables by aging

Unit: RMB

Item	Closing Balance		
	Other receivables	Bad debt provision	Proportion (%)
Within contract period	435,726,390.34	2,647,306.22	0.61
Within 1 year	74,536,873.66	3,098,605.26	4.16
1-2 years	6,501,889.62	1,149,718.96	17.68
2-3 years	5,758,160.62	2,190,980.22	38.05
3-4 years	8,938,449.42	5,871,667.42	65.69
Over 4 years	15,094,368.40	15,094,368.40	100.00
Subtotal	546,556,132.06	30,052,646.48	5.50

2) Other receivables by nature of the payment

Unit: RMB

Item	Closing Balance	Opening Balance
Guarantee deposits	262,305,393.59	216,176,255.21
Temporary payments for receivables	153,962,968.02	113,230,687.20
Tax rebates	2,166,013.19	762,862.50
Investment intention fund	-	4,000,000.00
Others	128,121,757.26	51,019,823.13
Total	546,556,132.06	385,189,628.04

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

3) Provision for credit loss

Unit: RMB

Category	Opening balance	Amount of changes in the current reporting period			Difference resulted from foreign currency statements conversion	Closing balance
		Provision	Recollect or reverse	Resell or write off		
Other receivables	25,569,182.16	7,029,184.17	(2,476,821.46)	(393,162.35)	324,263.96	30,052,646.48
Total	25,569,182.16	7,029,184.17	(2,476,821.46)	(393,162.35)	324,263.96	30,052,646.48

Changes in credit loss provisions for other receivables

Unit: RMB

Bad debts allowance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (credit impairment has not incurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1, 2022	2,587,782.99	3,087,217.99	19,894,181.18	25,569,182.16
The book balance of other receivables on J January 1, 2022 in the current reporting period	-	-	-	-
--Transfer into stage 2	(648,213.90)	648,213.90	-	-
-- Transfer into stage 3	-	(1,066,987.16)	1,066,987.16	-
--provision/(reverse) in the current reporting period	383,473.17	1,579,879.49	2,589,010.05	4,552,362.71
Derecognition of financial assets (including direct write-downs) and transfer out	-	-	(393,162.35)	(393,162.35)
Other changes	324,263.96	-	-	324,263.96
Balance on December 31, 2022	2,647,306.22	4,248,324.22	23,157,016.04	30,052,646.48

4) The actual write-off of other receivables during the current reporting period:

The actual write-off of other receivables during the current reporting period is RMB393,162.35.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

5) Top five debtors based on corresponding closing balance of other receivables

Unit: RMB

Entities	Nature	Closing balance	Aging	Proportion of total closing balance for other receivables (%)	Closing balance for credit loss provision
Overseas subsidiary A	Cash and bank balances in transit	53,180,000.00	Within the contract period	9.73	-
Overseas subsidiary B	Cash and bank balances in transit	27,290,774.51	Within the contract period	4.99	-
Third party E	Guarantee deposits	17,848,880.00	Within the contract period	3.27	117,802.61
Third party F	Guarantee deposits	7,428,988.00	Within the contract period	1.36	49,031.32
Third party G	Guarantee deposits	6,739,162.58	Within the contract period	1.23	44,478.47
Total		112,487,805.09		20.58	211,312.40

6) As of December 31, 2022, the Group does not have other receivables related to government subsidies.

7) As of December 31, 2022, there is no termination of other receivables booking due to transfer of a financial asset.

8) As of December 31, 2022, the Group has no assets/liabilities booked due to any transferred other receivables that the Group continues to be involved in.

8. Inventories

1) Categories of inventories

Unit: RMB

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value
Raw materials	8,590,579,068.82	405,402,336.01	8,185,176,732.81	7,947,851,148.15	233,046,765.20	7,714,804,382.95
Work-in-progress	413,355,134.81	-	413,355,134.81	437,963,160.90	-	437,963,160.90
Finished goods	10,955,174,807.28	839,876,008.09	10,115,298,799.19	9,760,949,606.67	702,675,806.16	9,058,273,800.51
Contract performance cost	290,988,057.76	6,595,745.76	284,392,312.00	763,071,063.24	-	763,071,063.24
Total	20,250,097,068.67	1,251,874,089.86	18,998,222,978.81	18,909,834,978.96	935,722,571.36	17,974,112,407.60

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

2) Provision for decline in value of inventories

Unit: RMB

Category	Opening balance	Increase in the current reporting period	Decrease in the current reporting period		Effect on conversion of financial statements denominated in foreign currencies	Closing Balance
			Reversals or write-off	Others		
Raw materials	233,046,765.20	285,003,215.76	112,647,644.95	-	-	405,402,336.01
Finished goods	702,675,806.16	271,305,304.25	172,730,470.10	-	38,625,367.78	839,876,008.09
Contract performance cost	-	6,595,745.76	-	-	-	6,595,745.76
Subtotal	935,722,571.36	562,904,265.77	285,378,115.05	-	38,625,367.78	1,251,874,089.86

The write-offs of provision for inventories in the current reporting period are due to use or sale of inventories.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

9. Contract Assets

1) Details of contract assets:

Unit: RMB

Items	Closing Balance			Opening Balance		
	Carrying amount	Provisions for impairment	Book value	Carrying amount	Provisions for impairment	Book value
Constructions	1,859,628,746.45	10,664,372.98	1,848,964,373.47	1,274,476,664.40	9,873,249.73	1,264,603,414.67
Maintenance services	270,901,478.31	1,642,480.80	269,258,997.51	148,057,308.84	1,288,098.60	146,769,210.24
Total	2,130,530,224.76	12,306,853.78	2,118,223,370.98	1,422,533,973.24	11,161,348.33	1,411,372,624.91

2) The classification and disclosure of the method of provision for impairment of contract assets during the current reporting period:

Unit: RMB

Items	Closing Balance				
	Carrying amount		Provisions for impairment		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount
Provision for impairment on a single item	-	-	-	-	-
Provision for impairment by portfolio	2,130,530,224.76	100.00	12,306,853.78	0.58	2,118,223,370.98
Total	2,130,530,224.76	100.00	12,306,853.78	0.58	2,118,223,370.98

Provision for impairment of contract assets in the current reporting period:

Unit: RMB

Credit loss provision	Total
Balance on January 1, 2022	11,161,348.33
Provision/reverse during the current reporting period	1,145,505.45
Balance on December 31, 2022	12,306,853.78

Contract assets arise from the Group's construction works business as well as maintenance services relating to security projects. The Group provides construction works and maintenance services based on contracts with customers, and recognizes revenue based on the performance progress during the term of the contracts. The Group's customers make milestone payments for the construction works and maintenance services of the Group as provided in the contracts. For the portion where the Group has obtained an unconditional right to consideration, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; if the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

10. Non-current Assets Due within One Year

Unit: RMB

Item	Closing Balance	Opening Balance
Long-term receivables due within one year (Note (V) 12)	996,902,343.27	975,960,437.14
Total	996,902,343.27	975,960,437.14

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

11. Other Current Assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible VAT input	670,250,077.42	671,022,973.90
Prepaid corporate income tax	61,808,729.93	146,600,985.54
Prepaid tariff	17,113,351.36	113,756,173.22
Others	57,660,782.87	91,220,245.12
Total	806,832,941.58	1,022,600,377.78

Notes to Financial Statements ar

For the reporting period from January 1, 2022 to December 31, 2022

12. Long-term Receivables

1) Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for credit loss	Book value	Carrying amount	Provision for credit loss	Book value
Financial leases receivables	294,708,514.70	41,885,999.65	252,822,515.05	338,676,520.11	32,408,674.53	306,267,845.58
Including: Unrealized income from financing	8,548,939.32	-	8,548,939.32	15,579,721.55	-	15,579,721.55
Installments business	916,676,013.71	125,838,244.59	790,837,769.12	881,821,037.32	87,043,902.28	794,777,135.04
Including: Unrealized income from financing	32,175,399.92	-	32,175,399.92	26,548,778.33	-	26,548,778.33
Employee housing loan	493,890,024.40	-	493,890,024.40	487,983,401.49	-	487,983,401.49
Including: Unrealized income from financing	44,084,149.81	-	44,084,149.81	59,389,998.51	-	59,389,998.51
Less: Non-current assets due within one year (Note (V) 10)	1,163,050,529.25	166,148,185.98	996,902,343.27	1,093,138,859.09	117,178,421.95	975,960,437.14
Total	542,224,023.56	1,576,058.26	540,647,965.30	615,342,099.83	2,274,154.86	613,067,944.97

2) Credit loss provision

The Group believes that the employees corresponding to the long-term receivable employee housing loans held by the Group all have labor relations with the Group and the Group assesses that the relevant debtors have good credit records, and the Group believes that there is no significant credit risk and therefore loss of provision is made

As of December 31, 2022, the credit risk and expected credit losses of long-term receivables are as follows:

Unit: RMB

Age	Closing balance		
	Amounts	Credit loss provision	Estimated average loss rate (%)
Within credit period	456,800,594.29	3,014,883.93	0.66
Within 1 year after exceeding credit period	333,625,777.98	14,179,095.57	4.25
1-2 years after exceeding credit period	193,133,173.09	34,010,751.77	17.61
2-3 years after exceeding credit period	143,722,653.49	54,686,469.65	38.05
3-4 years after exceeding credit period	64,906,109.70	42,636,823.46	65.69
Over 4 years after exceeding credit period	19,196,219.86	19,196,219.86	100.00

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For the reporting period from January 1, 2022 to December 31, 2022

Age	Closing balance		
	Amounts	Credit loss provision	Estimated average loss rate (%)
Total	1,211,384,528.41	167,724,244.24	13.85

The changes in the Group's long-term receivables' expected credit loss provision for the current reporting period are as follows:

Unit: RMB

Credit loss provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (No credit impairment occurred)	Expected credit losses for the entire duration (Credit impairment has occurred)	
Balance on January 1, 2022	5,623,293.18	45,080,318.80	68,748,964.83	119,452,576.81
On January 1, 2022, the book balance of long-term receivables in the current reporting period				
Transfer into stage 2	(2,902,743.16)	2,902,743.16	-	-
Transfer into stage 3	-	(26,833,019.41)	26,833,019.41	-
Provision/(reverse) during the current reporting period	294,333.91	27,039,804.79	20,937,528.73	48,271,667.43
Balance on December 31, 2022	3,014,883.93	48,189,847.34	116,519,512.97	167,724,244.24

- 3) As of December 31, 2022, there is no termination of long-term receivables booking due to transfer of a financial asset.
- 4) As of December 31, 2022, the Group has no assets/liabilities booked due to any transferred long-term receivables that the Group continue to be involved in.

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For the reporting period from January 1, 2022 to December 31, 2022

13. Long-term Equity Investment

Unit: RMB

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment to other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
1. Joint venture companies											
Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.) (Note1)	702,369,339.95	-	-	112,680,820.39	-	14,775,227.26	-	-	-	829,825,387.60	-
Zhejiang City Digital Technology Ltd. (Note2)	12,214,320.29	11,500,000.00	-	2,627,190.51	-	-	-	-	-	26,341,510.80	-
Zhejiang Haishi Huayue Digital Technology Ltd.	11,930,512.66	-	-	2,726,503.57	-	-	(1,275,000.00)	-	-	13,382,016.23	-
Zhejiang Haishi Urban Service Operation Ltd. (formerly known as: Shenzhen Hikvision Urban Service Operation Ltd. (Note2)	1,264,658.38	1,500,000.00	-	(1,089,851.65)	-	-	-	-	-	1,674,806.73	-
Guangxi Haishi Urban Operation Management Ltd. (Note2)	4,632,200.59	8,560,000.00	-	(132,206.62)	-	-	-	-	-	13,059,993.97	-
Yunnan Yinghai Parking Service Ltd.	4,558,881.09	-	-	519,116.95	-	-	-	-	-	5,077,998.04	-
Xuzhou Kangbo Urban Operation Management Service Ltd.	9,233,201.67	-	-	1,152,365.21	-	-	-	-	-	10,385,566.88	-
Subtotal	746,203,114.63	21,560,000.00	-	118,483,938.36	-	14,775,227.26	(1,275,000.00)	-	-	899,747,280.25	-

Notes to Financial Statements ar

For the reporting period from January 1, 2022 to December 31, 2022

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment to other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
2. Associated companies											
Wuhu Sensortech Intelligent Technology Ltd.	75,466,476.84	-	-	22,627,903.68	-	-	-	-	-	98,094,380.52	-
Maxio Technology (Hangzhou) Co., Ltd. (Note1)	104,537,528.30	-	-	(31,228,623.67)	-	70,591,176.64	-	-	-	143,900,081.27	-
Zhiguang Hailian Big Data Technology Ltd. (Note1)	21,285,843.27	-	-	(3,378,441.24)	-	4,517,968.05	-	-	-	22,425,370.08	-
Sanmenxia Xiaoyun Vision Technology Ltd.	3,069,386.03	-	-	(441,143.16)	-	-	-	-	-	2,628,242.87	-
Jiaxin Haishi JiaAn Zhicheng Technology Ltd.	21,654,742.45	-	-	2,693,956.92	-	-	-	-	-	24,348,699.37	-
Zhejiang Changyun Haibao Technology Ltd. (Note3)	-	3,000,000.00	-	(1,408,717.24)	-	-	-	-	-	1,591,282.76	-
Terapark (Nanjing) Ltd. (Note4)	-	20,000,000.00	-	(396,874.31)	-	-	-	-	-	19,603,125.69	-
Beijing Taifang Technology LLC (Note5)	-	40,000,000.00	-	(304,949.40)	-	-	-	-	-	39,695,050.60	-
Qinghai Qingtang Big Data Co., Ltd. (Note6)	9,948,454.93	-	(9,800,000.00)	(148,454.93)	-	-	-	-	-	-	-
Subtotal	235,962,431.82	63,000,000.00	(9,800,000.00)	(11,985,343.35)	-	75,109,144.69	-	-	-	352,286,233.16	-
Total	982,165,546.45	84,560,000.00	(9,800,000.00)	106,498,595.01	-	89,884,371.95	(1,275,000.00)	-	-	1,252,033,513.41	-

Note 1: Changes in other equities during the reporting period was due to the changes in equity caused by increasing capital of the investee by other shareholders.

Notes to Financial Statements ar

For the reporting period from January 1, 2022 to December 31, 2022

Note 2: The Group made additional investment in the investee this year, and the subscribed proportion of equity in the investee remained unchanged.

Note 3: In December 2019, a subsidiary of the Group entered into an agreement with Zhejiang Changyun Investment Co., Ltd. and ZBO Fintech Co., Ltd. regarding the establishment of a joint venture, Zhejiang Changyun Haibao Technology Co., Ltd. ("Changyun Haibao"), acquiring 30% equity in Changyun Haibao. The Group has paid capital contributions as of the year end. The board of directors of Changyun Haibao consists of seven directors, of whom two are appointed by the Group in accordance with the articles of association of Changyun Haibao. As the Group exerts a significant influence on Changyun Haibao, it is accounted for as an associate.

Note 4: In September 2022, a subsidiary of the Group entered into an agreement with Terapark (Nanjing) Ltd. ("Terapark") and its former shareholders, acquiring 9.90% equity in Terapark for RMB 20 million. The board of directors of Terapark consists of seven directors, of whom one is appointed by the Group in accordance with Terapark's articles of association. As the Group exerts a significant influence on Terapark, it is accounted for as an associate.

Note 5: In August 2022, a subsidiary of the Group acquired 3.6865 % equity in Beijing Taifang Technology Ltd. ("Beijing Taifang Technology") from Langma 8 (Shenzhen) Venture Capital Center (Limited Partnership) for RMB 12.6 million. In August 2022, the Group increased its capital contributions to Beijing Taifang Technology by RMB 27.4 million. Upon completion of this transaction, the Group held 4.4023% equity in Beijing Taifang Technology. The board of directors of Beijing Taifang Technology consists of nine directors, of whom one is appointed by the Group in accordance with Beijing Taifang Technology's articles of association. As the Group exerts a significant influence on Beijing Taifang Technology, it is accounted for as an associate.

Note 6: Qinghai Qingtang Big Data Co., Ltd. completed its liquidation on December 28, 2022 and completed registration of business cancellation on January 9, 2023.

14. Other Non-current Financial Assets

Unit: RMB

Item	Closing balance	Opening balance
Investments in equity instruments (Note)	423,893,239.94	438,724,172.22
Total	423,893,239.94	438,724,172.22

Note: It refers to the Group's equity investments of private companies. The Group has no control, joint control or significant influence over the invested company. During the current reporting period, the Company received a cash dividend of RMB51,892,209.92 from this investee. (2021: RMB115,644,801.97) and recognized it as current profit and loss. Please refer to Note (V) 52 for details.

15. Fixed Assets

1) Details of fixed assets

Unit: RMB

Item	Buildings and constructions	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
I. Total original carrying amount					
1. Opening balance	5,840,580,725.62	1,366,124,127.52	2,318,809,132.18	98,848,289.25	9,624,362,274.57
2. Increase in the current reporting period	1,593,354,163.97	458,315,165.51	704,620,607.42	9,460,878.06	2,765,750,814.96
1) purchase	7,211,912.08	449,377,016.10	568,447,670.68	9,460,878.06	1,034,497,476.92
2) transferred from construction in progress	1,586,142,251.89	8,938,149.41	78,150,412.05	-	1,673,230,813.35
3) transferred from inventory	-	-	58,022,524.69	-	58,022,524.69
3. Decrease in the current reporting period	10,792,551.96	39,460,047.05	56,682,563.10	8,228,804.52	115,163,966.63
1) disposal or write-off	10,792,551.96	39,460,047.05	56,682,563.10	8,228,804.52	115,163,966.63
4. Effect on conversion of financial statements denominated in foreign currencies	28,972,579.92	10,719,218.99	(310,967.84)	1,183,204.65	40,564,035.72
5. Closing Balance	7,452,114,917.55	1,795,698,464.97	2,966,436,208.66	101,263,567.44	12,315,513,158.62
II. Accumulated depreciation					
1. Opening balance	1,215,383,927.62	516,132,115.59	1,137,960,269.72	59,295,290.37	2,928,771,603.30
2. Increase in the current reporting period	297,505,151.41	269,929,474.10	347,827,198.67	12,852,587.92	928,114,412.10
(1) accrual	297,505,151.41	269,929,474.10	347,827,198.67	12,852,587.92	928,114,412.10
3. Decrease in the current reporting period	4,102,499.04	28,064,250.04	45,387,810.12	7,412,937.99	84,967,497.19
(1) disposal or write-off	4,102,499.04	28,064,250.04	45,387,810.12	7,412,937.99	84,967,497.19
4. Effect on conversion of financial statements denominated in foreign currencies	899,312.01	2,817,815.54	(233,016.17)	267,898.35	3,752,009.73
5. Closing balance	1,509,685,892.00	760,815,155.19	1,440,166,642.10	65,002,838.65	3,775,670,527.94
III. Total book value					
Closing balance on book value	5,942,429,025.55	1,034,883,309.78	1,526,269,566.56	36,260,728.79	8,539,842,630.68
Opening balance on book value	4,625,196,798.00	849,992,011.93	1,180,848,862.46	39,552,998.88	6,695,590,671.27

- 2) As of December 31, 2022, the Group did not have any significant idle fixed assets.
- 3) As of December 31, 2022, the fair value of the dedicated equipment rent out through operating leasing by the Group is RMB81,627,645.88.
- 4) Fixed assets of which certificates of title have not been granted as of December 31, 2022:

Unit: RMB

Item	Carrying amount	Reason for certificates of title not granted
Office building for branches	12,722,154.03	In the process of obtaining the real estate certificates
Hangzhou Innovation Industrial Park	786,659,467.76	In the process of obtaining the real estate certificates after transferred to fixed assets
Total	799,381,621.79	

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

16. Construction in Progress

1) Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Chengdu Science and Technology Park Project	1,424,680,236.64	-	1,424,680,236.64	896,287,490.09	-	896,287,490.09
Xi'an Science and Technology Park Project	510,141,028.55	-	510,141,028.55	181,009,327.21	-	181,009,327.21
Wuhan Intelligence Industry Park Project	362,495,271.16	-	362,495,271.16	21,605,140.49	-	21,605,140.49
EZVIZ Smart Home Product Industrial Base Project (Infrastructure Part)	282,125,289.82	-	282,125,289.82	95,322,172.33	-	95,322,172.33
Security Industrial Base (Tonglu) Phase III	256,401,113.99	-	256,401,113.99	48,768,905.95	-	48,768,905.95
Shijiazhuang Science and Technology Park Project	240,987,635.91	-	240,987,635.91	100,184,640.21	-	100,184,640.21
Hefei Science and Technology Park Project	96,324,257.68	-	96,324,257.68	18,754,774.97	-	18,754,774.97
Zhengzhou Science and Technology Park Project	93,894,775.99	-	93,894,775.99	42,029,452.82	-	42,029,452.82
Chongqing Science and Technology Park Project-Phase III	88,837,517.21	-	88,837,517.21	538,446.48	-	538,446.48
EZVIZ Intelligent Manufacturing Chongqing Base Project(Infrastructure Part)	72,173,018.20	-	72,173,018.20	-	-	-
Nanjing Science and Technology Park Project	59,330,672.30	-	59,330,672.30	1,096,879.60	-	1,096,879.60
Nanchang Science and Technology Park Project	55,299,275.67	-	55,299,275.67	5,811,745.36	-	5,811,745.36
Hangzhou Innovation Industry Park	-	-	-	393,310,782.16	-	393,310,782.16
Security Industrial Base (Tonglu) - Phase II Continued Construction Project	-	-	-	390,702,241.74	-	390,702,241.74
Others	228,113,207.68	-	228,113,207.68	127,914,099.27	-	127,914,099.27
Total	3,770,803,300.80	-	3,770,803,300.80	2,323,336,098.68	-	2,323,336,098.68

2) Changes in significant construction in progress during the current reporting period

Unit: RMB

Notes to Financial Statements

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Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Chengdu Science and Technology Park Project	196,900.00	896,287,490.09	528,392,746.55	-	-	-	1,424,680,236.64	72.36%	72.36%	-	-	-	Self-financing
Xi'an Science and Technology Park Project	227,800.00	181,009,327.21	329,131,701.34	-	-	-	510,141,028.55	22.39%	22.39%	-	-	-	Self-financing
Wuhan Intelligence Industry Park Project	238,700.00	21,605,140.49	340,890,130.67	-	-	-	362,495,271.16	15.19%	15.19%	-	-	-	Self-financing
EZVIZ Smart Home Product Industrial Base Project (Infrastructure Part)	75,300.00	95,322,172.33	186,803,117.49	-	-	-	282,125,289.82	37.47%	37.47%	3,833,236.08	3,833,236.08	3.70%	Self-financing / specific loan
Security Industrial Base (Tonglu) Phase III	77,000.00	48,768,905.95	207,632,208.04	-	-	-	256,401,113.99	33.30%	33.30%	-	-	-	Self-financing
Shijiazhuang Science and Technology Park Project	89,700.00	100,184,640.21	140,802,995.70	-	-	-	240,987,635.91	26.87%	26.87%	-	-	-	Self-financing
Hefei Science and Technology Park Project	54,100.00	18,754,774.97	77,569,482.71	-	-	-	96,324,257.68	17.80%	17.80%	-	-	-	Self-financing
Zhengzhou Science and Technology Park Project	48,500.00	42,029,452.82	51,865,323.17	-	-	-	93,894,775.99	19.36%	19.36%	-	-	-	Self-financing
Chongqing Science and Technology Park Project-Phase III	48,000.00	538,446.48	88,299,070.73	-	-	-	88,837,517.21	18.51%	18.51%	-	-	-	Self-financing
EZVIZ Intelligent Manufacturing	117,000.00	-	72,173,018.20	-	-	-	72,173,018.20	6.17%	6.17%	-	-	-	Self-financing

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

g Chongqing Base Project(Infrast ructure Part)													
Nanjing Science and Technology Park Project	58,100.00	1,096,879.60	58,233,792.70	-	-	-	59,330,672.30	10.21%	10.21%	-	-	-	Self-financing
Nanchang Science and Technology Park Project	49,100.00	5,811,745.36	49,487,530.31	-	-	-	55,299,275.67	11.26%	11.26%	-	-	-	Self-financing
Hangzhou Innovation Industry Park	83,100.00	393,310,782.16	399,241,430.12	(792,552,212.28)	-	-	-	95.37%	100.00%	(77,456,678.27)	(6,493,347.83)	0.85%	Specific loan
Security Industrial Base (Tonglu) - Phase II Continued Construction Project	58,600.00	390,702,241.74	195,023,827.62	(585,726,069.36)	-	-	-	100.00%	100.00%	-	-	-	Self-financing
Others		127,914,099.27	393,751,550.73	(294,952,531.71)	3,097,644.99	(1,697,555.60)	228,113,207.68	-	-	-	-	-	Self-financing
Total	1,421,900.00	2,323,336,098.68	3,119,297,926.08	(1,673,230,813.35)	3,097,644.99	(1,697,555.60)	3,770,803,300.80	-	-	(73,623,442.19)	(2,660,111.75)		

Note 1: Other reductions during the current reporting period were the completed renovation that transferred to the long-term deferred expenses.

Note 2: This amount is calculated by interest expense for specific foreign currency borrowings, less interest income for unused borrowing fund and profit/loss on exchange rate difference.

As of December 31, 2022, the Group did not have any sign of impairment of projects under construction; therefore, no provision for impairment loss was booked.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

17. Right-of-use Assets

Unit: RMB

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
I. Total original carrying amount					
1. Opening balance	687,537,465.14	230,374.45	91,934,144.20	22,894,986.96	802,596,970.75
2. Increased	265,856,017.58	69,374.70	-	6,569,949.78	272,495,342.06
(1) New Lease	265,856,017.58	69,374.70	-	6,569,949.78	272,495,342.06
3. Decreased	103,530,959.39	-	-	5,404,203.49	108,935,162.88
(1) The lease contract expires or terminates early	103,530,959.39	-	-	5,404,203.49	108,935,162.88
4. Effect on conversion of financial statements denominated in foreign currencies	11,300,622.04	(866.34)	-	808,398.67	12,108,154.37
5. Closing balance	861,163,145.37	298,882.81	91,934,144.20	24,869,131.92	978,265,304.30
II. Accumulated depreciation					
1. Opening balance	160,488,138.26	144,576.92	68,096,796.36	7,473,786.46	236,203,298.00
2. Increased	223,184,242.30	82,192.15	14,635,251.10	8,471,970.69	246,373,656.24
(1) Provisions	223,184,242.30	82,192.15	14,635,251.10	8,471,970.69	246,373,656.24
3. Decreased	75,332,041.81	-	-	5,204,987.81	80,537,029.62
(1) The lease contract expires or terminates early	75,332,041.81	-	-	5,204,987.81	80,537,029.62
4. Effect on conversion of financial statements denominated in foreign currencies	1,584,511.62	(209.31)	-	162,751.06	1,747,053.37
5. Closing balance	309,924,850.37	226,559.76	82,732,047.46	10,903,520.40	403,786,977.99
III. Total book value					
1. Closing balance on book value	551,238,295.00	72,323.05	9,202,096.74	13,965,611.52	574,478,326.31
2. Opening balance on book value	527,049,326.88	85,797.53	23,837,347.84	15,421,200.50	566,393,672.75

Note: The Group leased a number of assets, including building and construction, general-purpose equipments, special-purpose equipments and transportation vehicles, for lease terms ranging from 1 to 13 years. The above right-of use assets cannot be used for purposes including borrowing, mortgage, and guarantee, etc.

In the current reporting period, the total amount of the short-term lease expenses and low-value asset lease expenses that the Group included in the current profit was RMB99,598,934.33 (2021: RMB82,001,765.42).

The total cash outflow related to leases for the year was RMB327,608,122.43 (2021: RMB272,298,575.65).

As of December 31, 2022, the short-term lease portfolio committed by the Group is consistent with the short-term lease corresponding to the above lease fee.

18. Intangible Assets

1) Details of construction in progress

Unit: RMB

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
I. Total original carrying amount					
1. Opening balance	1,259,213,465.26	69,966,433.88	374,982,150.82	91,933,517.61	1,796,095,567.57
2. Increased	323,094,474.37	13,387.95	29,329,660.01	11,296,400.11	363,733,922.44

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
(1) Purchase	323,094,474.37	13,387.95	29,329,660.01	11,296,400.11	363,733,922.44
3. Decreased	-	-	7,442,132.75	-	7,442,132.75
(1) Disposal or write-off	-	-	7,442,132.75	-	7,442,132.75
4. Effect on conversion of financial statements denominated in foreign currencies	-	32,942.04	779,318.65	12,053.85	824,314.54
5. Closing balance	1,582,307,939.63	70,012,763.87	397,648,996.73	103,241,971.57	2,153,211,671.80
II. Total accumulated amortization					
1. Opening balance	103,592,991.04	65,002,594.28	311,663,913.28	11,588,653.90	491,848,152.50
2. Increased	31,678,386.25	3,356,580.16	36,141,067.46	8,500,179.34	79,676,213.21
(1) Accrual	31,678,386.25	3,356,580.16	36,141,067.46	8,500,179.34	79,676,213.21
3. Decreased	-	-	6,042,405.91	-	6,042,405.91
(1) Disposal or write-off	-	-	6,042,405.91	-	6,042,405.91
4. Effect on conversion of financial statements denominated in foreign currencies	-	19,322.78	736,932.70	5,890.84	762,146.32
5. Closing balance	135,271,377.29	68,378,497.22	342,499,507.53	20,094,724.08	566,244,106.12
III. loss provision					
1. Opening balance	-	-	-	-	-
2. Increased	-	-	-	42,034,063.49	42,034,063.49
3. Decreased	-	-	-	-	-
5. Closing balance	-	-	-	42,034,063.49	42,034,063.49
IV. Total book value					
1. Closing balance on book value	1,447,036,562.34	1,634,266.65	55,149,489.20	41,113,184.00	1,544,933,502.19
2. Opening balance on book value	1,155,620,474.22	4,963,839.60	63,318,237.54	80,344,863.71	1,304,247,415.07

- 2) At the end of the current reporting period, the intangible asset of the Group that has not completed the title certificate is nil.

19. Goodwill

- 1) Goodwill book value

The name of the investee or the matter that forming a goodwill	Opening balance	Increased	Decreased	Effect on conversion of financial statements denominated in foreign currencies	Closing balance
		Business combination not involving enterprises under common control	Liquidation & cancellation		
SISTEMAS Y SERVICIOS DE COMUNICACIÓN, S.A. DE C.V.	73,308,109.05	-	-	6,573,714.57	79,881,823.62
HuaAn Baoquan Intelligence and its subsidiaries	61,322,871.63	-	-	-	61,322,871.63
Hangzhou Kuangxin Technology Ltd.	59,060,454.06	-	-	-	59,060,454.06
Zhejiang Zhiyuan Fire Safety Engineering Ltd. ("Zhejiang Zhiyuan Fire") (Note1)	-	8,199,253.77	-	-	8,199,253.77
BK EESTI AKTIASELTS	4,341,956.31	-	-	122,205.29	4,464,161.60
SIA "BK Latvia"	4,335,930.90	-	-	122,035.70	4,457,966.60

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

The name of the investee or the matter that forming a goodwill	Opening balance	Increased	Decreased	Effect on conversion of financial statements denominated in foreign currencies	Closing balance
		Business combination not involving enterprises under common control	Liquidation & cancellation		
Hangzhou Haikang Zhicheng Investment and Development Ltd. (Note2)	12,573.42	-	(12,573.42)	-	-
Total	202,381,895.37	8,199,253.77	(12,573.42)	6,817,955.56	217,386,531.28

Note 1: The Group acquired Zhejiang Zhiyuan Fire Safety Engineering Ltd., resulting in a goodwill of RMB8,199,253.77, see Note (VI) 1.

Note 2: Hangzhou Haikang Zhicheng Investment and Development Ltd. was cancelled in 2022, and the goodwill decreased by RMB12,573.42.

2) Goodwill impairment provision

When the Group conducts impairment test on goodwill at the end of the reporting period, the key assumptions adopted and their basis are as follows:

The recoverable amount of asset group containing apportioned goodwill is determined according to the present value of the estimated future cash flow of the relevant asset group. Its future cash flows are determined based on the 5-year financial budget from 2023 to 2027 approved by management, with a certain discount rate. Cash flow over 5 years is calculated on the basis of 2% growth rate. This growth rate is determined based on the relevant industry's growth forecast and does not exceed the long-term average growth rate for that industry. Estimates of future cash flows are based on past performance and expectations of market development, and are based on the estimated sales, cost of sales, and operating expenses during the estimated period.

During the reporting period, the Group did not find that the recoverable amount of the relevant asset group including the apportioned goodwill was lower than its book value, so it is considered that there is no need to accrue impairment loss for goodwill.

20. Long-term Deferred Expenses

Unit: RMB

Invested unit	Opening Balance	Increased	Amortized	Other decreased amount	Difference of foreign currency translation	Closing balance
Improvement expenditure for leased fixed asset	98,617,176.50	87,543,749.45	53,016,110.66	-	48,777.31	133,193,592.60
Employee housing loan deferred interest	59,389,998.40	18,425,634.64	28,470,415.65	5,261,067.58	-	44,084,149.81
Total	158,007,174.90	105,969,384.09	81,486,526.31	5,261,067.58	48,777.31	177,277,742.41

21. Deferred Tax Assets/Deferred Tax Liabilities

1) Deferred tax assets that are not presented on net off basis

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	1,244,117,898.85	303,398,701.08	746,689,777.87	203,337,661.26
Provision for credit loss	2,592,933,147.29	539,409,348.22	2,019,377,828.80	414,456,930.82
Payroll payables	866,731,426.46	135,343,862.92	1,021,696,707.76	156,929,402.30
Share-based payment	102,865,533.19	18,154,808.30	546,398,398.17	92,168,164.61
Provisions	159,335,457.04	26,406,150.70	124,817,084.93	18,515,337.61
Accrued but unsettled liabilities	416,294,075.36	80,952,178.12	224,525,193.17	49,859,840.33
Unrealized profit from inter-group transactions	2,407,578,813.30	361,136,821.99	2,025,608,612.07	303,841,291.79
Changes in the fair value of derivative financial instruments	68,299,685.57	17,074,921.39	3,795,920.86	948,980.22
Deferred income	913,846,162.56	108,383,170.93	400,764,044.74	61,186,781.23
Changes in fair value of other non-current financial assets	32,701,261.48	4,905,189.22	-	-
Difference in depreciation of fixed assets and difference in amortization of intangible assets	305,795,669.55	13,305,393.19	-	-
Tax deductible losses	294,467,968.83	39,179,829.21	-	-
Total	9,404,967,099.48	1,647,650,375.27	7,113,673,568.37	1,301,244,390.17

2) Deferred tax liabilities that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Difference in depreciation of fixed assets and difference in amortization of intangible assets	1,439,877,224.17	256,804,768.33	929,573,058.04	170,677,622.00
Long term investment – joint venture accounted by the equity method	230,000,194.33	34,500,029.15	-	-
Changes in the fair value of derivative financial instruments	12,807,438.36	3,201,859.59	29,037,242.51	7,259,310.63
Changes in fair value of other non-current financial assets	-	-	38,300,223.10	5,745,033.47
Total	1,682,684,856.86	294,506,657.07	996,910,523.65	183,681,966.10

3) Deferred tax assets or deferred tax liabilities that are presented at the net amount after offset

Unit: RMB

Item	Closing balance		Opening balance	
	Offset amount at the end of the reporting period	Deferred tax assets or liabilities at the net amount after offset	Offset amount at the beginning of the reporting period	Deferred tax assets or liabilities at the net amount after offset
Deferred tax assets	178,003,886.23	1,469,646,489.04	90,366,814.93	1,210,877,575.24
Deferred tax liabilities	178,003,886.23	116,502,770.84	90,366,814.93	93,315,151.17

4) Details of unrecognized deferred tax assets

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Closing balance	Opening balance
Deductible temporary differences	896,347,987.05	687,848,166.51
Deductible loss	2,279,586,556.97	2,841,919,737.84
Total	3,175,934,544.02	3,529,767,904.35

5) Deductible losses for unrecognized deferred tax assets will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance
2022	-	9,759,663.51
2023	23,615,749.83	33,125,518.27
2024	31,698,815.96	34,945,616.34
2025	16,588,829.27	148,742,047.53
2026	49,208,121.54	279,312,175.66
2027 and beyond	2,158,475,040.37	2,336,034,716.53
Total	2,279,586,556.97	2,841,919,737.84

22. Other Non-current Assets

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Contract assets	2,229,022,015.47	15,524,799.08	2,213,497,216.39	2,672,243,740.12	24,017,466.88	2,648,226,273.24
Prepayments for real estate	363,341,827.45	-	363,341,827.45	269,600,676.00	-	269,600,676.00
Prepayments for acquisition of land	127,079,348.02	-	127,079,348.02	278,398,706.94	-	278,398,706.94
Prepayments for equipment	70,134,950.70	-	70,134,950.70	140,577,165.61	-	140,577,165.61
Prepayments for infrastructure	39,467,612.18	-	39,467,612.18	4,679,432.89	-	4,679,432.89
Others	2,181,057.96	-	2,181,057.96	9,044,156.95	-	9,044,156.95
Total	2,831,226,811.78	15,524,799.08	2,815,702,012.70	3,374,543,878.51	24,017,466.88	3,350,526,411.63

23. Short-term Borrowings
1) Categories of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit loan	3,283,605,167.90	4,074,962,469.97
Discounted but not expired notes	59,466,804.99	-
Total	3,343,071,972.89	4,074,962,469.97

2) As of December 31, 2022, the Group did not have any overdue short-term loans that were failed to repay.
24. Held-for-trading Financial Liabilities

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Closing balance	Opening balance
Financial liabilities measured at fair value through current profits and losses	68,299,685.57	4,062,317.57
Including: derivative financial liabilities	68,299,685.57	4,062,317.57
total	68,299,685.57	4,062,317.57

As of December 31, 2022, derivative financial liabilities are forward foreign exchange contracts, and they are not designated as hedging instruments, and the gains or losses arising from changes in their fair values are directly included in the current profit and loss.

25. Notes Payable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance Bill	1,207,756,963.94	1,339,998,383.34
Total	1,207,756,963.94	1,339,998,383.34

As of December 31, 2022, the Group did not have any unpaid matured notes payable.

26. Accounts Payable

1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payments for goods	15,803,616,247.96	15,585,975,750.26
Payables on equipment	221,947,555.03	303,719,230.86
Total	16,025,563,802.99	15,889,694,981.12

2) As of December 31, 2022, the Group did not have any significant accounts payable with aging above one year.

27. Contract Liabilities

1) List of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advanced receipts from sales of products	2,177,001,350.72	2,181,573,144.68
Advanced receipts for construction settlement payment	216,246,689.72	185,782,167.92
Advanced receipts from services	276,187,505.46	236,278,710.74
Subtotal	2,669,435,545.90	2,603,634,023.34
Less: Contract liabilities included in other non-current liabilities (Note (V), 38)	24,939,037.54	22,739,796.75
Total	2,644,496,508.36	2,580,894,226.59

2) Qualitative and Quantitative Analysis on the Above Contract Liabilities:

Advanced receipts for product sales include prepayments for goods by customers and sales rebates provided to distributors. Product sales revenue of the Group is recognized when the control of such product is transferred to the customers. During the transaction, prepayments for goods by customers are recognized as a contract liability till the goods are shipped or

delivered to the customers. Sales rebates to distributors of the Group may be accumulated when they purchase products from the Group, and are deductible for payments for goods to be purchased in the future. Such sales rebates enable distributors to enjoy discounts in their future purchase of goods, which are not available to the same type of customers. Therefore, the commitment to offer such discounts to distributors on their future purchase prices is a separate performance obligation. Such commitment is recognized as a contract liability based on the transaction price allocated on the basis of the fair value of rebates when the sales transaction takes place, and is recognized as revenue when distributors use the sales rebates for deduction of purchase prices.

The Group provides construction works and maintenance services based on the construction works and maintenance service contracts with customers, and recognizes revenue based on the performance progress during the term of the contracts. The Group's customers make milestone payments for the construction works and maintenance services of the Group as provided in the contracts. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides cloud services including storage service, video service, and telephone service to its customers. Such services are performance obligations to be satisfied during a period of time, and revenue is recognized based on the performance progress over the period in which such services are rendered. As customers have prepaid for cloud services at the time of purchase, at the time of transaction, the Group recognizes as a contract liability for the payments that would be received for cloud services, and recognizes revenue based on the performance progress over the period in which such services are rendered.

- 3) As of January 1, 2022, the book value of contract liabilities amounted to RMB2,580,894,226.59 has been recognized as revenue in 2022, including contract liabilities of RMB2,181,573,144.68 arising from advance receipt of product sales payment, the contract liabilities of RMB185,782,167.92 arising from advance receipt of project settlement payment and contract liabilities of RMB213,538,913.99 arising from the advance receipt of service payment. As at December 31, 2022, the contract liabilities of RMB2,644,496,508.36 are expected to be recognized as revenue in the coming year.

28. Payroll Payable

1) Details of payroll payable

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Short-term remuneration	4,520,802,459.92	15,519,933,767.54	15,330,843,636.86	4,709,892,590.60
2. Termination benefits – defined contribution scheme	74,749,613.20	1,119,585,045.15	1,066,924,793.00	127,409,865.35
Total	4,595,552,073.12	16,639,518,812.69	16,397,768,429.86	4,837,302,455.95

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

2) List of Short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Wages or salaries, bonuses, allowances and subsidies	4,298,383,537.23	13,601,909,847.94	13,535,748,474.15	4,364,544,911.02
2.Staff welfare	11,644.54	332,435,539.37	332,447,183.91	-
3.Social insurance contributions	40,347,586.71	641,312,052.88	613,993,171.93	67,666,467.66
Including:				
Medical insurance	38,502,111.67	613,409,818.77	587,311,412.65	64,600,517.79
Injury insurance	1,366,064.14	22,094,410.18	20,883,442.62	2,577,031.70
Maternity insurance	479,410.90	5,807,823.93	5,798,316.66	488,918.17
4.Housing funds	-	695,452,209.35	691,559,595.18	3,892,614.17
5.Labor union and education fund	182,059,691.44	248,824,118.00	157,095,211.69	273,788,597.75
Subtotal	4,520,802,459.92	15,519,933,767.54	15,330,843,636.86	4,709,892,590.60

3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1.Basic pension insurance	72,541,942.78	1,079,281,000.54	1,026,682,019.64	125,140,923.68
2.Unemployment insurance	2,207,670.42	40,304,044.61	40,242,773.36	2,268,941.67
Subtotal	74,749,613.20	1,119,585,045.15	1,066,924,793.00	127,409,865.35

Note: The Group participates in pension insurance and unemployment insurance plans established by government agencies in accordance with regulations. According to these plans, the Group pays monthly fees to these plans in proportion to the payment base. The Group has no other material obligation for the payment of pension benefits beyond the contributions described above, and corresponding expenses were booked into current profits and losses or corresponding assets.

In 2022, the Group shall pay RMB1,079,281,000.54 and RMB40,304,044.61 to the pension insurance plan and unemployment insurance plan respectively (2021: RMB859,688,761.68 and RMB28,887,040.12). As of December 31, 2022, the Group had fees payables of RMB125,140,923.68 and RMB2,268,941.67 (December 31, 2021: RMB72,541,942.78 and RMB2,207,670.42), which were due but not paid during the reporting period for pension and unemployment insurance plans. The relevant fees payables have been paid after the reporting period.

29. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
Corporate income tax	648,624,680.00	927,703,038.55
Value-added tax	380,413,435.90	426,720,008.08
City construction and maintenance tax	29,362,098.03	21,622,541.71
Education surcharges	13,048,855.45	9,380,789.66
Local education surcharges	9,328,597.02	6,529,587.16
Others	153,254,471.97	69,514,064.53
Total	1,234,032,138.37	1,461,470,029.69

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For the reporting period from January 1, 2022 to December 31, 2022

30. Other Payables

1) Categories

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	300,150,894.34	247,382,205.37
Other payables	2,903,157,791.97	1,583,244,377.66
Total	3,203,308,686.31	1,830,626,583.03

2) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Dividends of incentive restricted shares	187,657,918.50	144,401,634.74
Dividends payable to minority shareholders	112,492,975.84	102,980,570.63
Total	300,150,894.34	247,382,205.37

3) Other payables

(1) List of other payables according to the nature of the payment

Unit: RMB

Item	Closing balance	Opening balance
Unexpired commercial acceptance bills that were endorsed (Note (V) 3)	1,182,413,217.20	711,238,103.83
Accrued expenses	988,937,734.54	144,958,993.62
Guarantee and deposit fees	401,628,843.74	341,371,587.01
Collection and payment on behalf	236,839,241.37	261,710,850.19
Other expense payable	93,338,755.12	123,964,843.01
Total	2,903,157,791.97	1,583,244,377.66

(2) As of December 31, 2022, the Group did not have any significant other payables aging over one year.

31. Non-current Liabilities Due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note (V) 33)	562,906,197.43	347,587,089.91
Lease liabilities due within one year (Note (V), 34)	303,328,658.06	248,027,043.35
Long-term payables due within one year (Note (V) 35)	1,962,416.97	1,301,227.32
Total	868,197,272.46	596,915,360.58

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

32. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription payment of restricted shares	465,979,374.84	511,594,361.52
Output VAT to be transferred	457,742,218.94	405,885,561.09
Total	923,721,593.78	917,479,922.61

33. Long-term Borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan (Note 1)	1,363,216,974.37	1,455,221,540.20
Mortgage loan (Note 2)	229,070,200.25	-
Guaranteed loan	-	387,851,149.01
Credit loan (Note 3)	6,315,934,364.41	1,611,886,043.22
Other borrowing (Note 4)	177,000,000.00	177,000,000.00
Less: Long-term loans due within one year (Note (V) 31)	562,906,197.43	347,587,089.91
Total	7,522,315,341.60	3,284,371,642.52

Note 1: As of December 31, 2022, the pledged loan was obtained by the Group with all the rights and benefits pledged under relevant PPP Projects. The maturity period is from June 20, 2028 to March 26, 2040, the above annual interest rate of the loan is variable interest rate, ranging from 4.195% to 4.445%.

Note 2: As of December 31, 2022, the mortgage loan was obtained by the Group with the use right of land as the mortgage. The maturity date is on August, 13, 2026 with the annual interest rate of 1-year LPR rate, which is adjusted each 12 months.

Note 3: At the end of the reporting period, the maturity period of credit loan is from September 27, 2023 to December 1, 2027, and the annual interest rate ranges from 2.7% to 3.7%

Note 4: During 2016, the Group and CDB Development Fund Ltd. (CDBDF) jointly inject capital into Hikvision Electronics Co., Ltd. ("Hangzhou Electronics"), a subsidiary of the Group. Pursuant to the capital injection agreement, CDBDF would not participate in senior management personnel such as directors, and it would either take part in decision-making or make significant influence on Hangzhou Electronics. The Group shall pay a 1.2% annualized return to CDBDF through dividends or interest payments, and the Group is required to redeem the CDBDF's equity investment in the current reporting period by installments each year from 2021 to 2024. Therefore, the capital injection by CDBDF is treated as a long-term loan. As of December 31, 2022, the balance of the loan is 177 million (December 31, 2021: RMB 177 million).

34. Lease Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities	580,584,582.89	565,978,922.56
Less : Lease liabilities due within one year (Note (V), 31)	303,328,658.06	248,027,043.35
Total	277,255,924.83	317,951,879.21

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For the reporting period from January 1, 2022 to December 31, 2022

35. Long-term Payables

Unit: RMB

Item	Closing balance	Opening balance
Purchase goods in installments	9,532,351.64	10,310,558.82
Less: Long-term payables due within one year (Note (V), 31)	1,962,416.97	1,301,227.32
Total	7,569,934.67	9,009,331.50

36. Provisions

Unit: RMB

Item	Closing balance	Opening balance
Product quality warranty	205,095,341.94	183,521,316.61
Return payment payable	14,269,885.68	17,154,634.35
Total	219,365,227.62	200,675,950.96

37. Deferred Income

Unit: RMB

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance	Details
Government Subsidies	738,586,458.05	479,021,186.81	284,347,218.74	933,260,426.12	Note
Total	738,586,458.05	479,021,186.81	284,347,218.74	933,260,426.12	

As of December 31, 2022, the deferred income related to government subsidies:

Unit: RMB

Liability Items	Opening Balance	Increase in current reporting period	Amounts booked into other income during the current reporting period	Other changes	Closing Balance	Related to assets/related to incomes
Chongqing Manufacturing Base construction	40,717,681.34	-	2,418,872.16	-	38,298,809.18	Related to assets
Other special subsidies	539,130,528.37	141,138,620.81	58,978,900.31	-	621,290,248.87	Related to assets
Other special subsidies	158,738,248.34	337,882,566.00	222,949,446.27	-	273,671,368.07	Related to incomes
Subtotal	738,586,458.05	479,021,186.81	284,347,218.74	-	933,260,426.12	

Note: Refer to government subsidies received by the Group for projects such as Chongqing Manufacturing Base construction and other special projects; Actual expenses occurred in the current reporting period for other special subsidies related to incomes were recognized in other income; and relevant assets for Chongqing Manufacture Park construction and other special subsidies related to assets were amortized averagely in other income within the assets' useful lives.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

38. Other Non-current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription for restricted stocks	2,806,169,050.05	511,594,361.52
Contract liabilities	24,939,037.54	22,739,796.75
Total	2,831,108,087.59	534,334,158.27

39. Share Capital

Unit: RMB

	Opening balance	Changes for the current reporting period					Closing balance
		New issue of shares	Bonus issue	Transfer from Capital Reserve	Others	Subtotal	
2022							
Total shares	9,335,806,114.00	97,402,605.00	-		(2,288,095.00)	95,114,510.00	9,430,920,624.00
2021							
Total shares	9,343,417,190.00	-	-		(7,611,076.00)	(7,611,076.00)	9,335,806,114.00

Note: On January 18, 2022, in accordance with the authorization by the Company's first Extraordinary General Meeting in 2022, the resolution by the 8th meeting of the 5th session of the Board of Directors and the revised Articles of Association, the Company was approved to issue 97,402,605 additional RMB ordinary shares to 9,738 scheme participants. The face value is RMB1 per share, and the issue price is 29.71 per share. Those shares had been completed the share registration procedures on February 10, 2022. Therefore, the paid-in capital of the Company increased RMB 97,402,605.00, resulting a capital reserve of RMB 2,796,428,789.55.

In accordance with the authorization by the Company's second Extraordinary General Meeting in 2018, the resolution by the 10th meeting of the 5th session of the Board of Directors on May 5, 2022, the resolution of the second Extraordinary General Meeting in 2022 on October 10, 2021 and the revised Articles of Association, the Company repurchased and cancelled the granted 2,288,095 restricted RMB treasury shares that have not been unlocked by cash, reducing the share capital of RMB2,288,095.00 and capital reserve of RMB36,563,758.10. The Company completed the deregistration on December 21, 2022.

In accordance with the authorization by the Company's second Extraordinary General Meeting in 2016, the authorization by the second Extraordinary General Meeting in 2018, the resolution by the 20th meeting of the 4th session of the Board of Directors on December 25, 2020, the resolution of the first Extraordinary General Meeting in 2021 on March 5, 2021 and the revised Articles of Association, the Company repurchased and cancelled the granted 7,611,076 restricted RMB treasury shares that have not been unlocked by cash, reducing the share capital of RMB7,611,076.00 and capital reserve of RMB115,032,981.28. The Company completed the deregistration on July 2, 2021.

40. Capital Reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period (Note 1)	Decrease in the current reporting period (Note 2)	Closing balance
2022				
Share premium	4,800,739,839.94	4,532,411,217.65	43,336,115.30	9,289,814,942.29
Other capital	603,330,760.13	696,045,520.27	448,037,787.37	851,338,493.03

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For the reporting period from January 1, 2022 to December 31, 2022

reserves				
Total	5,404,070,600.07	5,228,456,737.92	491,373,902.67	10,141,153,435.32
2021				
Share premium	4,747,808,907.38	175,364,843.03	122,433,910.47	4,800,739,839.94
Other capital reserves	430,968,554.71	347,727,048.45	175,364,843.03	603,330,760.13
Total	5,178,777,462.09	523,091,891.48	297,798,753.50	5,404,070,600.07

Note 1: The increase of RMB2,796,428,789.5 in the share premium in the current fiscal year was due to the 97,402,605 additional RMB ordinary shares issued to 9,738 grantees by Company with approval, please refer to Note (V) 39 for details. The increase of RMB448,037,787.37 in the share premium in the current fiscal year was due to the exercise of equity-settled share-based payments, and other capital reserves were transferred to the share premium. The increase of RMB1,287,944,640.73 in the share premium in the current fiscal year was due to the Company's subsidiary EZVIZ Network's initial public offering of shares, and the shareholding ratio has been diluted from 60% to 48%, please refer to Note (VII) 2 for details.

The increase of RMB578,605,328.33 in other capital reserves in the current fiscal year was calculated with equity-settled share-based payments which were included in the capital reserve. The increase of RMB29,772,104.11 in other capital reserves in the current fiscal year was due to the effect of deferred income tax caused by the restricted incentive scheme. The increase of RMB87,668,087.83 in other capital reserves in the current fiscal year was due to changes in the equity of investee in long-term equity investments accounted by the equity method.

The increase of RMB175,364,843.03 in the share premium during the prior year was due to the exercise of equity-settled share-based payments, and other capital reserves were transferred to the share premium.

The increase of RMB347,727,048.45 in other capital reserves during the prior year was calculated with equity-settled share-based payments which were included in the capital reserve.

Note 2: The decrease of RMB 36,563,758.10 in share premium during this year was due to the Company's repurchase of 2,288,095 shares of granted but unvested RMB treasury shares by cash, please refer to Note (V) 39 for details; The decrease of RMB 6,772,357.20 in share premium during the current reporting period was due to share distributions by equity settlements to minority shareholders.

The decrease of RMB 115,032,981.28 in share premium during the prior year was due to the Company's repurchase of 7,611,076 granted but unvested RMB treasury shares by cash, please refer to Note (V) 39 for details; The decrease of RMB 7,400,929.19 in share premium during the current reporting period was due to share distributions by equity settlements to minority shareholders.

41. Treasury Shares

Unit: RMB

Item	Opening Balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
2022				
Restricted shares incentive scheme	1,023,188,723.04	2,893,831,394.55	644,871,692.70	3,272,148,424.89
Outstanding shares	-	2,043,885,225.35	-	2,043,885,225.35
Total	1,023,188,723.04	4,937,716,619.90	644,871,692.70	5,316,033,650.24
2021				
Restricted shares incentive scheme	1,121,918,737.47	-	98,730,014.43	1,023,188,723.04
Total	1,121,918,737.47	-	98,730,014.43	1,023,188,723.04

Note: During the current reporting period, the increase of RMB 2,893,831,394.55 in treasury shares was due to the 97,402,605 RMB ordinary shares issued to 9,738 grantees at the price of 29.71 per share on January 18, 2022, please refer to Note (V) 39 for details.

During the current reporting period, the increase of RMB 2,043,885,225.35 in treasury shares was due to the repurchase

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

of the Company's shares with the amount of 66,987,835 by means of centralized bidding using its own fund. The repurchased shares were held in the Company's dedicated securities account for repurchase, and the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Ltd. on January 17, 2023.

During the current reporting period, the decreased amount of RMB 644,871,692.70 in treasury shares was due to the provision of cash dividend allocated to restricted shares and the repurchase and cancellation of 2,288,095 restricted shares of the 2018 Restricted Share Incentive Scheme, as well as the vesting and exercising the amount of 33,142,730 shares under the condition that the second vesting period expired of the 2018 Restricted Shares Scheme.

During the prior year, the decreased amount of RMB 98,730,014.43 in treasury shares was due to the provision of cash dividend allocated to restricted shares and the repurchase and cancellation of 7,611,076 restricted shares of the 2016 and 2018 Restricted Share Incentive Scheme.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

42. Other Comprehensive Income

Unit: RMB

Item	Opening balance	Amounts occurred in the current reporting period					Closing balance
		The before-income-tax amount incurred during the current reporting period	Less: transfer to current period P/L from previous other comprehensive income	Less: income tax expense	Attributable to the parent company (after tax)	Attributable to minority shareholders (after tax)	
2022							
Other incomes that may be reclassified subsequently to profit or loss	(77,184,125.29)	88,691,088.90	-	-	34,596,966.48	54,094,122.42	(42,587,158.81)
Included: Effect on conversion of financial statements denominated in foreign currencies	(77,184,125.29)	88,691,088.90	-	-	34,596,966.48	54,094,122.42	(42,587,158.81)
Other comprehensive income	(77,184,125.29)	88,691,088.90	-	-	34,596,966.48	54,094,122.42	(42,587,158.81)
2021							
Other incomes that may be reclassified subsequently to profit or loss	(84,993,926.94)	4,631,122.68	-	-	7,809,801.65	(3,178,678.97)	(77,184,125.29)
Included: Effect on conversion of financial statements denominated in foreign currencies	(84,993,926.94)	4,631,122.68	-	-	7,809,801.65	(3,178,678.97)	(77,184,125.29)
Other comprehensive income	(84,993,926.94)	4,631,122.68	-	-	7,809,801.65	(3,178,678.97)	(77,184,125.29)

43. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
2022				
Statutory surplus reserves	4,672,505,348.00	42,954,964.00	-	4,715,460,312.00
Total	4,672,505,348.00	42,954,964.00	-	4,715,460,312.00
2021				
Statutory surplus reserves	4,672,505,348.00	-	-	4,672,505,348.00
Total	4,672,505,348.00	-	-	4,672,505,348.00

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For the reporting period from January 1, 2022 to December 31, 2022

Note: According to the *Company Law of the People's Republic of China* and the *Articles of Association* of the Company, The Company shall withdraw the statutory surplus reserve fund at 10% of the annual net profit of the parent company, and when the accumulated amount of the statutory surplus reserve fund reaches more than 50% of the registered capital, it may not be withdrawn. The Company has withdrawn a statutory surplus reserve of RMB42,954,964.00 during the reporting period. As for December 31, 2022, the accumulative statutory surplus reserve has reached 50% of the Company's share capital. The statutory surplus reserve can be used to make up for losses or increase the share capital after approval.

44. Retained Earnings

Unit: RMB

Item	2022	2021
Retained Earnings at the close of the prior reporting period	45,148,877,451.52	35,806,523,826.37
Add: Net profit attributable to the parent company for the current reporting period	12,837,342,061.07	16,800,411,032.05
Less: withdraw the statutory surplus reserve	42,954,964.00	-
Dividends payable on common shares (Note)	8,483,023,562.10	7,458,057,406.90
Retained earnings at the end of the current reporting period	49,460,240,986.49	45,148,877,451.52

Note: According to the resolution of 2021 Annual General Meeting dated on May 13, 2022, based upon the total capital share of the Company on the equity distribution date, for each 10 ordinary shares, the Company distributed cash dividends of RMB 9 (tax inclusive), the rest of retained earnings were all carried forward for future distributions.

45. Revenue/cost of sales and services

45.1 Revenue and cost of sales and services

Unit: RMB

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Major business	82,542,204,243.66	47,602,859,697.82	80,803,165,490.40	44,894,713,863.87
Other business	624,117,437.48	393,394,768.50	616,888,048.87	434,686,468.78
Total	83,166,321,681.14	47,996,254,466.32	81,420,053,539.27	45,329,400,332.65

45.2 Revenue (By product or business type)

Unit: RMB

Item	2022	2021
Products and services for main business (Note)	65,873,570,961.21	65,145,683,074.74
Constructions of main business	2,222,876,059.14	4,003,746,727.88
Innovative businesses	15,069,874,660.79	12,270,623,736.65
Including: Smart home business	4,077,290,933.03	3,948,427,896.29
Robotic business	3,916,176,952.59	2,761,636,666.33
Thermal imaging business	2,790,033,744.03	2,214,127,005.65
Auto electronics business	1,905,289,927.53	1,431,895,295.48
Storage business	1,616,267,518.08	1,384,585,038.78
Other innovative businesses	764,815,585.53	529,951,834.12
Total	83,166,321,681.14	81,420,053,539.27

Note: Main business refers to the business parts other than the innovative businesses.

45.3 Major business (by business type)

Unit: RMB

Item	2022
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Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

	Revenue	Cost
Product sales	78,971,234,689.44	45,422,471,442.42
Construction contract	2,222,876,059.14	1,672,876,250.28
Provide services	1,348,093,495.08	507,512,005.12
Total	82,542,204,243.66	47,602,859,697.82

45.4 Major business (by the time of revenue recognition)

Unit: RMB

Item	2022	
	Revenue	Cost
Satisfied at a point in time	78,971,234,689.44	45,422,471,442.42
Satisfied over time	3,570,969,554.22	2,180,388,255.40
Total	82,542,204,243.66	47,602,859,697.82

Descriptions of Performance obligations:

The Group sells video surveillance and other main business products, smart home products, robotic products, thermal imaging products, auto electronics products, storage products and other innovative businesses 'products and related services. For sales of goods to customers, the Group recognizes revenue when the control of the goods is transferred, i.e. when the goods are delivered to the location designated by other party, or delivered to the carrier designated by other party, or delivered to the other party for acceptance. Since the delivery of the goods to the customer represents the right to unconditionally receive the contract consideration, and the maturity of the payment only depends on the passage of time, the Group recognizes a receivable when the goods are delivered to the customer. When the customer prepays for the goods, the Group recognizes the transaction amount received as a contract liability, and recognizes revenue until the goods are delivered to the customer.

For projects constructed for customers, since the customers could control the assets under construction during the performance of the Group, the Group recognizes revenue according to the performance progress by treating them as the obligations within certain period, except that the performance progress cannot be reasonably determined. The Group applies the output method to determine the performance progress, which is based on the value to the customers of the goods or services that have been transferred to them. Where the performance progress cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, the revenue shall be recognized according to the amount of the costs already incurred until the performance progress can be reasonably determined. The customers of the Group pay the Group for the construction works by milestone payments in accordance with the contract. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides customers with operation and maintenance services. Since customers obtain and consume the economic benefits generated by the performance of the Group at the same time when the Group performs its obligations, the Group recognizes revenue according to the performance progress by treating them as the obligations within certain

period. The customers of the Group pay the Group for the maintenance services by milestone payments in accordance with the contract. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

According to the project contract, the Group provides both project asset construction services and post-construction operation services and maintenance services. The Group identifies construction services, operation services and maintenance services as individual performance obligations, and allocates the transaction price to each performance obligation based on the relative proportion of the stand-alone selling price of each performance obligation.

The Group provides cloud services including storage service, video service, and telephone service to its customers. Such services are performance obligations to be satisfied during a period of time, and revenue is recognized based on the performance progress over the period in which such services are rendered. As customers have prepaid for cloud services at the time of purchase, the Group recognizes the payments for cloud services received at the time of transaction as a contract liability, and recognizes revenue based on the performance progress over the period in which such services are rendered.

Sales rebates to distributors of the Group may be accumulated when they purchase products from the Group, and are deductible for payments for goods to be purchased in the future. Such sales rebates enable distributors to enjoy discounts in their future purchase of goods, which are not available to the same type of customers. Therefore, the commitment to offer such discounts to distributors on their future purchase prices is a separate performance obligation. Such commitment is recognized as a contract liability based on the transaction price allocated on the basis of the fair value of rebates when the sales transaction takes place, and is recognized as revenue when distributors use the sales rebates for deduction of purchase prices.

The Group provides quality assurance for the sold video surveillance products, smart home products, robotic products and other products and related accessories, as well as the assets constructed. The quality assurance related to the products sold by the Group cannot be purchased separately, and is a guarantee to customers that the products sold meet the established standards, therefore, the Group conducts accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 13 - Contingencies, please refer to Note (III) 24 and Note (V) 36 for details.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

46. Business Taxes and Surcharges

Unit: RMB

Items	2022	2021
City construction and maintenance tax	261,890,379.68	271,005,144.60
Education surcharges	114,135,419.82	118,219,501.03
Local education surcharges	76,090,687.28	78,812,578.90
Stamp duty	69,797,920.71	48,719,842.95
Real estate tax	50,840,111.92	38,218,345.28
Tax on use of land	7,492,257.10	5,747,583.10
Vehicle and vessel tax	144,621.51	156,562.97
Others	1,505,298.49	100,448.69
Total	581,896,696.51	560,980,007.52

47. Selling Expenses

Unit: RMB

Items	2022	2021
Payroll	6,373,360,098.93	5,548,436,481.61
Marketing Expenses	1,327,140,202.21	1,351,499,107.82
Shipping, transportation, and vehicle expense	397,419,186.30	300,539,153.45
Travelling expenses	392,884,475.16	272,916,031.74
Office expenses	265,238,884.68	206,708,742.81
Business hospitality expenses	267,086,429.99	251,571,190.72
Rental expenses	72,212,549.78	66,296,932.66
Professional Intermediary expenses	202,590,077.82	192,080,083.00
Depreciation and amortization expenses	262,935,078.67	208,955,480.02
Others	212,590,352.69	187,440,464.19
Total	9,773,457,336.23	8,586,443,668.02

48. Administrative Expenses

Unit: RMB

Items	2022	2021
Payroll	1,621,419,524.98	1,320,787,327.54
Office expenses	295,789,889.76	228,196,179.10
Depreciation and amortization expenses	237,858,482.96	194,491,716.47
Professional Intermediary expenses	96,942,652.20	95,361,861.47
Travelling expenses	36,736,435.95	39,132,306.65
Shipping, transportation, utility expense	62,093,258.21	48,723,035.15
Rental expenses	5,262,993.41	10,375,238.03
Business hospitality expenses	8,369,231.08	11,296,053.97
Others	277,640,903.45	183,886,745.58
Total	2,642,113,372.00	2,132,250,463.96

49. R&D Expenses

Unit: RMB

Items	2022	2021
Payroll	7,813,245,802.96	6,809,382,000.63
Consumables and service fees	786,747,111.47	556,631,898.14
Depreciation and amortization expenses	318,021,624.81	299,364,107.17
Office expenses	251,800,832.86	167,582,498.45
Intermediate testing fees	264,433,773.09	144,910,134.48

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Travelling expenses	132,053,314.05	108,265,517.40
New product design fees	169,736,403.69	106,964,625.53
Rental expenses	8,122,851.03	5,329,594.73
Others	70,282,546.59	53,214,724.86
Total	9,814,444,260.55	8,251,645,101.39

50. Financial Expenses

Unit: RMB

Items	2022	2021
Interest expenses	296,404,671.30	231,787,858.92
Interest expense on lease liabilities	20,907,764.05	17,607,723.12
Less: Interest income	921,912,411.61	885,545,988.62
Foreign exchange losses (gains)	(428,082,371.67)	354,146,744.37
Less: Capitalized specific loan interests and foreign exchange differences on specific loan	(2,660,111.75)	(124,649,345.63)
Others	39,620,702.86	24,011,058.74
Total	(990,401,533.32)	(133,343,257.84)

51. Other Income

Unit: RMB

Items	2022	2021
VAT refund	1,753,740,330.32	2,054,594,872.37
Special subsidies	707,753,385.13	558,717,940.38
Tax reduction	17,631,644.13	14,829,396.58
Value-added tax deduction	3,342,496.39	418,611.13
Total	2,482,467,855.97	2,628,560,820.46

52. Investment Income

Unit: RMB

Items	2022	2021
Long-term equity investment gains based on the equity method	106,498,595.01	114,137,281.18
Investment income from other non-current financial assets during the holding period	51,892,209.92	115,644,801.97
Investment income from disposal of non-current financial assets	1,260,000.00	-
Investment income from disposal of held-for-trading financial assets	55,194,649.80	113,608,106.10
Investment income (loss) from disposal of subsidiaries and other business units	3,550,851.71	(169,184,641.43)
Total	218,396,306.44	174,205,547.82

53. Gains (Losses) from Changes in Fair Values

Unit: RMB

Sources of gains (losses) from changes in fair values	2022	2021
Held-for-trading financial assets	(21,549,304.93)	11,711,591.07
Including: gains on the changes in fair value of derivative financial instruments	(21,549,304.93)	11,711,591.07

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Gains (Losses) from changes in fair value of other non-current financial assets	(69,793,177.28)	(53,214,895.05)
Held-for-trading financial liabilities	(64,225,038.68)	3,303,279.51
Including: gains (losses) on the changes in fair value of derivative financial instruments	(64,225,038.68)	3,303,279.51
Total	(155,567,520.89)	(38,200,024.47)

54. Credit Impairment Gains (Losses)

Unit: RMB

Items	2022	2021
Credit impairment gains (losses) of accounts receivable	(532,337,205.31)	(566,389,266.23)
Credit impairment reverses gains (losses) of other receivables	(4,552,362.71)	25,231,443.14
Credit impairment gains (losses) of long-term receivables	(48,271,667.43)	(28,600,342.41)
Total	(585,161,235.45)	(569,758,165.50)

55. Impairment Gains (Losses) of Assets

Unit: RMB

Items	2022	2021
Gains (losses) on inventory devaluation	(473,766,927.68)	(434,614,231.94)
Gains (losses) on impairment of intangible assets	(42,034,063.49)	-
Contract assets impairment Gains (losses)	7,347,162.35	(13,075,174.66)
Total	(508,453,828.82)	(447,689,406.60)

56. Non-operating Income

Unit: RMB

Items	2022	2021	The amount booked into current period non-recurring profits and losses
Fines and confiscations	65,172,834.46	59,586,645.03	65,172,834.46
Government subsidies	884,540.66	2,653,472.98	884,540.66
Income from business combination of enterprises not under the same control	-	1,163,932.96	-
Others	21,308,610.36	12,340,318.32	21,308,610.36
Total	87,365,985.48	75,744,369.29	87,365,985.48

Government subsidies included in current profit and loss:

Unit: RMB

Item	2022	2021	Related to assets/Related to incomes
Tax reduction	2,080.77	341,525.58	Related to incomes
Other subsidies	882,459.89	2,311,947.40	Related to incomes
Total	884,540.66	2,653,472.98	

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

57. Non-operating Expenses

Unit: RMB

Items	2022	2021	The amount booked into current period non-recurring profits and losses
Losses on disposal of non-current assets	1,038,677.10	8,156,134.63	1,038,677.10
Local water conservancy construction fund	2,055,980.46	1,347,569.92	2,055,980.46
Donation expenses	1,575,092.28	51,489,848.19	1,575,092.28
Others	10,404,363.27	20,560,553.01	10,404,363.27
Total	15,074,113.11	81,554,105.75	15,074,113.11

58. Income Tax Expenses

58.1 Details of income tax expenses

Unit: RMB

Items	2022	2021
Income tax for the current reporting period	1,829,079,291.07	1,912,421,635.04
Deferred income tax expenses	(241,980,999.03)	(385,068,762.95)
Differences in filing and payment of income tax in previous reporting years	(289,116,386.50)	(569,862,219.93)
Total	1,297,981,905.54	957,490,652.16

58.2 Reconciliation of income tax expenses to the accounting profit

Unit: RMB

Item	2022	2021
Total profit	14,854,951,627.47	18,468,211,862.63
Income tax expenses calculated at applicable tax rates of 15%	2,228,242,744.12	2,770,231,779.39
Impact of non-deductible costs, expenses and losses	53,248,187.90	13,462,549.85
Tax effect of non-taxable income	(2,963,187.15)	(20,994,120.30)
Impact of deductible temporary differences or deductible losses for which no deferred income tax assets is recognized for the current period	105,389,667.58	126,889,022.94
Impact of using deductible temporary differences or deductible losses for which no deferred income tax assets was recognized for the prior periods	(127,946,065.51)	(124,304,097.81)
Differences of income tax annual filing (Note)	(289,116,386.50)	(569,862,219.93)
Impact by different tax rates applicable to different subsidiaries	163,817,215.68	117,262,283.11
Impact of additional deduction of R&D expenses	(920,031,766.64)	(853,993,809.22)
Others	87,341,496.06	(501,200,735.87)
Income tax expenses	1,297,981,905.54	957,490,652.16

59. Notes to Consolidated Cash Flow Statement Items

59.1 Other cash receipts relating to operating activities

Unit: RMB

Items	2022	2021
Interest income	769,911,170.27	747,643,940.57

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Items	2022	2021
Government subsidies	903,309,813.09	1,108,737,358.14
Withdrawal of restricted currency funds	334,647,085.86	870,118,675.99
Others	94,532,468.51	71,926,963.35
Total	2,102,400,537.73	2,798,426,938.05

59.2 Other cash payments relating to operating activities

Unit: RMB

Item	2022	2021
Advertising and Selling services	1,094,845,870.81	1,209,668,231.40
Office expenses and business expenses	1,357,207,317.97	1,244,593,584.01
Shipping and transportation expense	459,512,444.51	380,408,948.15
R&D expense	1,276,697,213.62	702,435,895.72
Travelling expense	561,674,225.16	420,313,855.79
Outsourcing service fees, fees for hiring intermediaries, etc.	473,912,644.83	406,476,311.46
Rental expense	85,598,394.22	82,001,765.42
Deposits to restricted monetary funds	256,100,102.65	553,153,948.19
Others	415,552,270.26	298,285,736.64
Total	5,981,100,484.03	5,297,338,276.78

59.3 Other cash receipts relating to investing activities

Unit: RMB

Item	2022	2021
Receipts of financing lease payments	47,587,599.27	-
Net cash receipts from acquiring subsidiaries and other business units	182,816.96	-
Total	47,770,416.23	-

59.4 Other cash payments related to investing activities

Unit: RMB

Item	2022	2021
Cash payments for investment intention funds	-	4,000,000.00
Net cash payment for disposal of subsidiaries and other business units	-	6,196,658.79
Total	-	10,196,658.79

59.5 Other cash payments relating to financing activities

Unit: RMB

Item	2022	2021
Repurchase of outstanding shares	2,043,885,225.35	-
Repurchase of restricted shares	38,851,853.10	122,644,057.28
Repayment of lease liabilities	228,009,188.10	190,296,810.23
Total	2,310,746,266.55	312,940,867.51

60. Supplementary Information about Cash Flow Statement

60.1 Supplementary information about cash flow statement

Unit: RMB

Supplementary information	2022	2021
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	13,556,969,721.93	17,510,721,210.47
Add: Impairment of assets	508,453,828.82	447,689,406.60
Provision for credit losses	585,161,235.45	569,758,165.50
Fixed assets depreciation	928,114,412.10	685,029,204.28
Amortization of intangible assets	79,676,213.21	140,708,108.57
Long-term deferred expenses amortization	81,486,526.31	66,502,221.67
Right-of-use assets depreciation	246,373,656.24	198,362,376.40
Gains (losses) on disposal of fixed assets, intangible assets and other long-term assets	17,578,905.00	(34,225,603.81)
Fixed asset scrapping losses	1,038,677.10	8,156,134.63
Losses from changes in fair value	155,567,520.89	38,200,024.47
Financial expenses	165,311,194.01	302,351,912.74
Investment income	(218,396,306.44)	(174,205,547.82)
Share-based payment based on equity settlement	620,309,681.65	369,329,250.11
Decrease (increase) of restricted funds	(78,546,983.21)	316,964,727.80
Increase in deferred income tax assets	(258,768,913.80)	(390,473,424.46)
Increase in deferred income tax liabilities	20,971,335.55	335,327.28
Increase in inventories	(1,510,338,683.95)	(5,936,053,632.80)
Decrease (increase) of operating other non-current assets	560,599,677.46	(497,739,824.36)
Decrease (increase) in operating receivables	(4,921,967,123.64)	(5,478,863,810.65)
Increase (decrease) in operating payables	(570,133,160.37)	4,019,434,922.97
Increase in deferred income	194,673,968.07	547,707,470.36
Others	-	(1,163,932.96)
Net cash flows from operating activities	10,164,135,382.38	12,708,524,686.99
2. Significant investing and financing activities not involving cash receipts and payments:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	39,815,390,514.57	34,603,944,429.20
Less: Opening balance of cash	34,603,944,429.20	35,024,837,878.31
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net Increase (decrease) in cash and cash equivalents	5,211,446,085.37	(420,893,449.11)

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

60.2 Net cash paid for obtaining subsidiaries during the current year

Unit: RMB

	Amounts
Cash or cash equivalents paid for the business combination in this year	-
Including: Zhejiang Zhiyuan Fire	-
Less: Cash and cash equivalents held by the Company on the acquisition date	(182,816.96)
Including: Zhejiang Zhiyuan Fire	182,816.96
Net cash paid for obtaining the subsidiary	(182,816.96)
Booked into: Other cash receipts relating to investing activities	182,816.96

60.3 Constituents of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
Cash	39,815,390,514.57	34,603,944,429.20
Including: Cash on hand	1,210,065.16	1,851,273.53
Bank deposit for payment at any time	39,607,767,094.21	34,573,786,777.26
Other monetary capital for payment at any time	206,413,355.20	28,306,378.41
Cash equivalents	-	-
Closing balance of cash and cash equivalents	39,815,390,514.57	34,603,944,429.20

Among the total balance of RMB402,886,840.57 of the other monetary fund(s) at the end of the reporting period (December 31, 2021: RMB146,232,880.57), RMB196,473,485.37 are various guarantee deposits and other restricted funds, etc. (December 31, 2021: RMB117,926,502.16), not cash and cash equivalents.

61. Assets with Restriction in Ownership or Use Rights

Unit: RMB

Item	Book value at the end of the current reporting period	Cause of restriction
Cash and bank balances	196,473,485.37	Various guarantee deposits and other restricted funds
Notes receivable	1,241,880,022.19	Endorsed to suppliers and discounted to banks
Receivables for financing	10,312.23	Pledged for issuing bank acceptance bills
Accounts receivable	344,585,345.01	Pledged for long-term borrowings
Contract assets	120,072,855.46	Pledged for long-term borrowings
Fixed assets	81,627,645.88	Fixed assets leased out under operating leases
Intangible assets	39,314,886.51	Pledged and mortgage for long-term borrowings
Other non-current assets	1,607,546,382.61	Pledge for long-term debts
Total	3,631,510,935.26	

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

62. Monetary Items of Foreign Currencies

Unit: RMB

Items	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Cash and bank balances			
Including: USD	365,876,681.09	6.9646	2,548,184,733.10
EUR	100,728,995.12	7.4229	747,701,257.88
GBP	8,805,385.21	8.3941	73,913,283.96
AED	13,418,901.49	1.8966	25,450,288.57
HKD	22,066,243.26	0.8933	19,711,775.10
PLN	8,791,237.76	1.5878	13,958,727.32
Accounts receivable			
Including: EUR	296,862,915.28	7.4229	2,203,583,733.83
USD	99,615,885.86	6.9646	693,784,798.66
HKD	60,473,017.96	0.8933	54,020,546.94
Short-term borrowings			
Including: EUR	150,144,922.22	7.4229	1,114,510,743.16
USD	30,854,039.57	6.9646	214,886,044.02
Accounts payable			
Including: USD	63,196,308.20	6.9646	440,137,008.09
HKD	638,003,666.55	0.8933	569,928,675.33
EUR	319,432.81	7.4229	2,371,117.81
Long-term borrowings			
Including: EUR	142,000,000.00	7.4229	1,054,051,800.00
Non-current liabilities due within one year - Long-term borrowings			
Including: EUR	4,035,688.89	7.4229	29,956,515.06

63. Government Subsidies

63.1 By categories

Unit: RMB

Category	Amount	Financial Report Items	Amount booked in current profit and loss
VAT refund	1,753,740,330.32	Other Income	1,753,740,330.32
Special subsidies	1,641,896,271.14		
Including: other special subsidies	1,601,178,589.80	Deferred income / Other income/ Non-operating income	706,216,972.86
Chongqing Manufacturing Base construction subsidies	40,717,681.34	Deferred income / Other income	2,418,872.16
Tax Refund/Reduction	20,976,221.29	Other income/ Non-operating income	20,976,221.29
Total	3,416,612,822.75		2,483,352,396.63

63.2 There was no refund of government subsidies during the current reporting period.

VI. Changes in Consolidation Scope

1. Business Combination of Enterprises Not under the Same Control

1.1 Business combination of enterprises not under the same control

Zhejiang Zhiyuan Fire

On December 15, 2021, the Company's subsidiary - Hikfire Technology signed an equity purchase agreement with the original shareholders of Zhejiang Zhiyuan Fire Safety Engineering Ltd. The agreement stipulated that Hikvision Fire Technology would acquire 100% of the equity of Zhejiang Zhiyuan Fire Safety Engineering Ltd. for RMB 15.75 million. On February 28, 2022, the two parties completed the equity transfer of Zhejiang Zhiyuan Fire Safety Engineering Ltd. Therefore, the Group took February 28, 2022 as the acquisition date and the Group incorporated the Subject Companies into consolidation scope from the acquisition date. As of December 31, 2022, the Company has completed the equity transfer payment of RMB 4 million.

Unit: RMB

Name of the acquiree	Time of equity acquisition	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from acquisition data to the end of the reporting period	Net profit of acquiree from acquisition data to the end of the reporting period
Zhejiang Zhiyuan Fire Safety Engineering Ltd.	February 2022	15,750,000.00	100.00%	Cash Payments	February 28, 2022	Equity delivery date for obtaining control of the purchased party	132,562,586.63	1,566,575.13

1.2 Cost of business combination and goodwill

Unit: RMB

Cost of business combination	Zhejiang Zhiyuan Fire
- Cash	4,000,000.00
- Liability(other account payable)	11,750,000.00
Total cost of business combination	15,750,000.00
Less: The fair value share of identifiable net assets obtained	7,550,746.23
Goodwill	8,199,253.77

1.3 Acquiree's book value of assets and liabilities at the date of acquisition

Unit: RMB

	Zhejiang Zhiyuan Fire (Note)	
	Book value on the date of acquisition	Fair value on the date of acquisition
Assets:		
Cash and bank balances	182,816.96	182,816.96
Notes receivable	990,821.94	990,821.94
Accounts receivable	9,894,353.90	9,894,353.90
Prepayments	753,476.00	753,476.00
Other receivables	1,684,461.20	1,684,461.20
Inventories	84,186,707.41	84,186,707.41

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For the reporting period from January 1, 2022 to December 31, 2022

	Zhejiang Zhiyuan Fire (Note)	
	Book value on the date of acquisition	Fair value on the date of acquisition
Contract assets	1,562,030.46	1,562,030.46
Other current assets	31,662.38	31,662.38
Liabilities:		
Accounts payable	10,731,655.87	10,731,655.87
Contract liabilities	71,900,823.14	71,900,823.14
Tax payable	378,277.85	378,277.85
Other payables	7,734,005.22	7,734,005.22
Short-term borrowings	990,821.94	990,821.94
Net assets:	7,550,746.23	7,550,746.23
Less: Minority equity	-	-
Net assets acquired	7,550,746.23	7,550,746.23

Note: The management of the Group believes that the fair value of identifiable assets and liabilities of Zhejiang Zhiyuan Fire is close to their book value. Therefore, the fair value of relevant identifiable assets and liabilities is recognized based on their book value.

2. Changes of Consolidation Scope due to Other Causes

The subsidiaries newly established and incorporated in the consolidation scope during the current reporting period as follows:

Company Name	Time of establishment	Registered capital
Shijiazhuang Sensortech Intelligent Technology Co.,Ltd.	February 2022	RMB 10 thousand
Hikvision Adriatic doo Beograd	February 2022	RSD 13 million
Hikvision Technology Pte. Ltd.	March 2022	USD 300 thousand
Hikrobot Korea Limited	June 2022	KRW 485 million
Hangzhou Xingrong Information Technology Ltd. (Note)	December 2022	RMB 5 million
Microimage Europe B.V. (Note)	December 2022	USD 800 thousand

Note: As of the end of this year, Hangzhou Xingrong Information Technology Ltd. and Microimage Europe B.V. have not yet completed their paid-in capital.

The subsidiaries cancelled in the current reporting period and no longer included in the scope of consolidation are as follows:

Company Name	Date of equity disposition
Hangzhou Haikang Zhicheng Investment and Development Ltd.	October 2022
Hangzhou Haikang Ximu Intelligent Technology Ltd.	December 2022
Microwave Solutions Limited	December 2022

VII. Interest in Other Entities

1. Equity in Subsidiaries

(1) Composition of the corporate group

Name	Location of operation	Place of registration	Nature of business	Acquisition Method
Hangzhou Hikvision System Technology Ltd.	Hangzhou	Hangzhou, Zhejiang	System integration, Technology development	Establishment
Hangzhou Hikvision Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Manufacture	Establishment
Hangzhou EZVIZ Network Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment
Hangzhou EZVIZ Software Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment
Hangzhou Hikrobot Technology Co., Ltd.(Note (VII) 2)	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment
Hangzhou Hikrobot Intelligence Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment

Note: Hangzhou Hikrobot Technology Ltd. completed the shareholding system reform in 2022 and changed its name to Hangzhou Hikrobot Technology Co., Ltd.

2. Changes in the share of owners' equity in subsidiaries and still controls the transactions of subsidiaries.

(1) Description of the change in the share of owners' equity in subsidiaries

Ezviz Network

On December 22, 2022, the Ezviz Network, a subsidiary of the Group, issued 112.5 million shares to the public for the first time at an issue price of RMB 28.77 per share and raised a total of RMB 3,236,625,000.00. The net amount of funds raised after deducting issuance expenses is RMB 3,121,365,252.83 (excluding VAT income tax related to issue expenses). The company's shareholding in Ezviz Network has been diluted from 60% to 48%, and the Group's control over the Ezviz Network has not changed.

(2) The impact of the transaction on minority equity and owners' equity attributable to owner of the Company

Name	Hangzhou EZVIZ Network Co., Ltd.
Consideration for disposal	-
Less: Share of net assets of subsidiaries calculated according to the proportion of equity disposed	1,287,944,640.73
Adjustment of capital reserves	(1,287,944,640.73)

3. Equity in Joint Ventures or Associates

(1) Aggregated financial information of insignificant joint-ventures and associates

Unit: RMB

	Closing balance / Amount for 2022	Opening balance / Amount for 2021
Associates:		
The aggregate carrying amount of investments in associates	352,286,233.16	235,962,431.82
The aggregate amount of the following items calculated based on the Company's equity share percentage of the associates	-	-
- Net income (loss)	(11,985,343.35)	30,316,393.05
- Other comprehensive income	-	-
--Net income (loss) and total comprehensive income (loss)	(11,985,343.35)	30,316,393.05

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

	Closing balance / Amount for 2022	Opening balance / Amount for 2021
Joint Ventures:		
Total investment book value	899,747,280.25	746,203,114.63
The sum of the following items calculated according to the shareholding ratio		
- Net income	118,483,938.36	83,820,888.13
- Other comprehensive income	-	-
- Net income (loss) and total comprehensive income	118,483,938.36	83,820,888.13

The Group uses the equity method to account for the aforementioned associates and joint ventures.

(2) There are no significant restrictions on the ability of the joint ventures or associates to transfer funds to the Group.

(3) No excess losses were incurred by the joint ventures or associates.

(4) Unrecognized commitments relating to investments in joint ventures

Unit: 000 RMB

Joint Venture	Capital Commitment (Note)
Shenzhen Haishi Urban Service Operation Co., Ltd.	10,500.00
Guangxi Haishi Urban Operation Management Co., Ltd.	2,440.00

Note: The above capital commitments are the capital amounts that the Group has subscribed but not paid in to the above joint ventures.

(5) The Group has no contingent liabilities related to investments in joint ventures or associates.

VIII. Risks Associated with Financial Instrument

The Group's principal financial instruments include cash and bank balances, other non-current financial assets, notes receivable, accounts receivable, receivables for financing, other receivables, long-term receivables, part of the other non-current assets, borrowings, notes payable, accounts payable, other payables, part of the other current liabilities, long-term payables, part of other non-current liabilities, derivative financial instruments, etc. Details of these financial instruments are set out in Note (V). Below are the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

1. Classification of Financial Instruments

Unit: RMB

Items	Closing balance of the current reporting period	Opening balance of the current year
Financial assets:		
Measured at fair value through current profit and loss		
Held –for-trading financial assets	12,807,438.36	34,320,010.83
Other non-current financial assets	423,893,239.94	438,724,172.22
Measured at fair value through other comprehensive		
Receivables for financing	1,484,218,258.74	1,316,035,122.06
Measured at amortized cost		
Cash and bank balances	40,011,863,999.94	34,721,870,931.36
Notes receivable	2,519,988,159.23	1,522,760,905.30
Accounts receivable	29,906,294,410.40	26,174,773,100.42
Other receivables	516,503,485.58	359,620,445.88
Other non-current assets	2,181,057.96	-
Long-term receivables (including those due within one year)	1,537,550,308.57	1,589,028,382.11

Unit: RMB

Items	Closing balance of the current reporting period	Opening balance of the current year
Financial liabilities		
Measured at fair value through current profit and loss		
Held-for-trading financial liabilities	68,299,685.57	4,062,317.57
Measured at amortized cost		
Short-term borrowings	3,343,071,972.89	4,074,962,469.97
Notes payable	1,207,756,963.94	1,339,998,383.34
Accounts payable	16,025,563,802.99	15,889,694,981.12
Other payables	3,203,308,686.31	1,830,626,583.03
Other current liabilities	465,979,374.84	511,611,642.53
Long-term borrowings (including those due within one year)	8,085,221,539.03	3,631,958,732.43
Long-term payables (including those due within one year)	9,532,351.64	10,310,558.82
Other non-current liabilities	2,806,169,050.05	511,594,361.52

The Group adopts sensitivity analysis techniques to analyze the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

2. Objectives and Policies of Risk Management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group's operating results are minimized, in order to maximize the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Group's risk management is to ascertain and analyze all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

2.1 Market risks

2.1.1 Foreign exchange risks

Foreign exchange risks refer to the risk that losses will occur because of changes in foreign exchange rates. The Company is primarily exposed to risks relating to the currencies such as USD, EUR and etc. The Group's subsidiaries in the mainland of China whose procurement, sales and financing are denominated in RMB, USD and EUR. Other principal activities are settled in RMB. The Group's subsidiaries in Hong Kong and outside China are principally engaged in procurement, sales, financing and other major business activities in local currencies such as USD, EUR, GBP, INR, and etc.

As of December 31, 2022, except for monetary items of foreign currencies set out in Note (V) 62, the Group mainly adopted the functional currency of each of its subsidiary to present the balance of its assets and liabilities. The foreign exchange risks arising from assets and liabilities denominated in USD and EUR (which has been converted into RMB) as follows may generate significant impact on the operating results of the Group.

Unit: RMB

Currencies	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
USD	3,241,969,531.76	2,310,527,721.21	655,023,052.11	1,993,012,472.17
EUR	2,951,284,991.71	2,510,521,255.35	2,200,890,176.03	1,521,742,991.23

The Group has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Group, and has purchased various financial derivative instruments, such as forward foreign exchange contracts to mitigate the foreign exchange risk exposure.

Sensitivity analysis on exchange rate risk

The sensitivity analysis of the Group's foreign exchange risk includes only monetary items denominated in foreign currencies and does not consider the impact of the purchased derivative financial instruments.

With other variables unchanged, the exchange rate might float within a reasonable range, and has the following before-tax effect on profit or loss and shareholders' equity for the current period:

Unit: RMB

Change in foreign exchange rates	2022		2021	
	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
5% appreciation of USD against functional currency	129,347,323.98	129,347,323.98	15,875,762.45	15,875,762.45
5% depreciation of USD against functional currency	(129,347,323.98)	(129,347,323.98)	(15,875,762.45)	(15,875,762.45)
5% appreciation of EUR against functional currency	37,519,740.78	37,519,740.78	49,438,913.21	49,438,913.21
5% depreciation of EUR against functional currency	(37,519,740.78)	(37,519,740.78)	(49,438,913.21)	(49,438,913.21)

2.1.2. Interest rate risk

The risk of changes in cash flow of financial instruments due to changes in interest rates exposed to the Group are primarily related to bank borrowings bearing floating interest rate (please refer to Note (V) 33) and bank deposits bearing floating interest rate. The Group's risks of changes in the fair value of financial instruments due to changes in interest rates are related to fixed-rate bank borrowings (please refer to Note (V) 23 and Note (V) 33) and fixed-rate bank deposits.

The Group determines the relative proportion of fixed interest rate contracts and floating interest rate contracts based on the prevailing market environment. On December 31, 2022, the Group's total long-term and short-term interest-bearing debts bearing fixed interest rates amounted to RMB 9,106,539,532.31 (December 31, 2021: RMB 5,863,848,513.19) (Note (V) 23 and Note (V) 33). The total amount of long-term and short-term interest-bearing debts bearing floating interest rates is RMB 2,262,287,174.62 (December 31, 2021: RMB 1,843,072,689.21) (Note (V) 33).

The Group expects that the exposure to cash flow risk arising from floating-rate bank deposits and the exposure to changes in fair value arising from fixed-rate bank deposits are not significant.

2.1.3. Other price risks

The Group's price risk mainly arises from investments in held-for-trading equity instruments and derivative financial instruments. Held-for-trading equity instrument investments are all investments in unlisted held-for-trading equity instruments.

The Group is exposed to price risk due to the holding of financial assets measured at fair value. The fair value of certain financial instruments is determined by the general pricing model based on discounted future cash flow method or other valuation techniques, while the valuation techniques are based on certain valuation assumptions. Therefore, the valuation results are highly sensitive to valuation assumptions. However, at the end of the current reporting period, the amount of investment in held-for-trading equity instruments and derivative financial instruments is not significant, and the changes of the amount due to changes in price of financial instruments as a result of change in valuation assumptions is limited, accordingly, no sensitivity analysis is conducted.

2.2 Credit Risk

As of December 31, 2022, the largest credit risk exposure that may result in financial losses of the Group is mainly due to the loss of the Group's financial assets arising from the failure of the counterparty to perform its obligations, including: cash and bank balances (Note (V) 1), notes receivable (Note (V) 3), accounts receivable (Note (V) 4), receivables for financing (Note (V) 5), other receivables (Note (V) 7), contract assets (Note (V) 9 and Note (V) 22), non-current assets due within one year (Note (V) 10), long-term receivables (Note (V) 12), etc., and derivative financial assets that are not included in the scope of impairment assessment and are measured at fair value through current profit or loss (Note (V) 2). As of the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

In order to reduce credit risk, the Group has formed a team to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover over-due debt. In addition, the Group reviews the recovery of financial assets on each balance sheet date to ensure that sufficient credit loss provisions

are made for relevant financial assets. Therefore, the management of the Group believes that the credit risk exposure of the Group has been reduced significantly.

The credit risk on cash and bank balances of the Group is low as they are deposited with banks with high credit ratings.

For accounts receivable, contract assets and long-term receivables, the Group has put in place relevant policies to control credit risk exposure. The Group assesses credit quality of customers and sets corresponding credit period based on the customer's financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group will regularly monitor the credit history of its customers. For customers with poor credit history, the Group takes various measures, such as written payment reminders, shorten or cancel the credit period, to ensure that the overall credit risk of the Group is maintained in a controllable range. For accounts receivable and contract assets, the Group uses a simplified method, that is, to measure the loss provision based on the amount equivalent to the expected credit loss for the entire duration. For details of the relevant expected credit loss measurement, see (Note (V) 4 & Note (V) 9). For long-term receivables, the Group calculates the expected credit losses based on the expected credit loss rate in the next 12 months or the entire duration based on the default risk exposure. For details of the related expected credit loss measurement, see (Note (V) 12).

The Group's notes receivable and receivables for financing are mainly bank acceptance notes and commercial acceptance notes with high credit ratings of the counterparties, which the Group does not consider to be subject to significant credit risk and will not incur any material loss due to default by the counterparties.

For other receivables, the Group regularly monitors the debtor's credit history. For debtors with poor credit history, the Group takes various measures such as written payment reminders to ensure that the Group's overall credit risk is maintained in a controllable range. For other receivables, the Group calculates the expected credit loss based on the expected credit loss ratio in the next 12 months or the entire duration based on the default risk exposure. For details of the relevant expected credit loss measurement, see (Note (V) 7).

The Group's risk exposure is distributed among multiple contractors and multiple customers, so the Group has no significant credit concentration risk.

2.3. Liquidity risk

The Group maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Group and to reduce the effect of cash flow movements when managing liquidity risk. The management of the Group monitors the usage of bank borrowings, and ensures compliance with borrowing agreements.

According to the term to maturity of non-discounted and remaining contract obligations, the financial liabilities held by the Group are analyzed as below:

Unit: RMB

December 31, 2022				
	Within one year	1-5 years	More than 5 years	Total
Non-derivative financial liabilities				
Short-term borrowings	3,381,341,036.05	-	-	3,381,341,036.05
Notes payable	1,207,756,963.94	-	-	1,207,756,963.94
Accounts payable	16,025,563,802.99	-	-	16,025,563,802.99
Other payables	3,203,308,686.31	-	-	3,203,308,686.31

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

December 31, 2022				
	Within one year	1-5 years	More than 5 years	Total
Other current liabilities	465,979,374.84	-	-	465,979,374.84
Other non-current liabilities	-	2,806,169,050.05		2,806,169,050.05
Long-term borrowings (including those due within one year)	666,754,479.49	6,971,138,869.43	1,030,617,594.40	8,668,510,943.32
Long-term payables (including those due within one year)	2,326,599.37	8,196,420.77	-	10,523,020.14
Derivative financial instruments				
Forward foreign exchange contracts - settled in the gross amount				
- Cash inflow	2,319,267,329.02	-	-	2,319,267,329.02
- Cash outflow	2,374,759,576.30	-	-	2,374,759,576.30
- Net cash inflow	55,492,247.28	-	-	55,492,247.28

IX. Fair Value Disclosure

1. The Financial Assets and Financial Liabilities Measured at Fair Value at the end of the Reporting Period

Unit: RMB

Items	Closing fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement	-	1,428,726,011.53	423,893,239.94	1,852,619,251.47
(I) Financial assets measured at fair value through profit and loss	-	12,807,438.36	423,893,239.94	436,700,678.30
1. Held-for-trading Financial Assets	-	12,807,438.36	-	12,807,438.36
- Derivative financial assets	-	12,807,438.36	-	12,807,438.36
2. Other non-current financial assets	-	-	423,893,239.94	423,893,239.94
(II) Receivables for financing	-	1,484,218,258.74	-	1,484,218,258.74
Total assets measured continuously at fair value	-	1,497,025,697.10	423,893,239.94	1,920,918,937.04
(III) Financial liabilities measured at fair value through profit and loss	-	68,299,685.57	-	68,299,685.57
1. Held-for-trading Financial Liabilities	-	68,299,685.57	-	68,299,685.57
- Derivative financial liabilities	-	68,299,685.57	-	68,299,685.57
Total liabilities measured continuously at fair value	-	68,299,685.57	-	68,299,685.57

2. Information on the Estimation Technique and Important Parameters Adopted as for Continuous Level 2 Fair Value Measurement Items

Unit: RMB

	Fair value at December 31, 2022	Estimation technique	Inputs
Forward Foreign Exchange Contracts (Assets)	12,807,438.36	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Forward Foreign Exchange Contracts (Liabilities)	(68,299,685.57)	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Receivables for financing	1,484,218,258.74	Discounted cash flow approach	Discounted rate that reflects the credit risk of counterparty

3. The Third Level of Fair Value Measurement Item, the Valuation Techniques and Important Parameters Used

Unit: RMB

Items	Fair value on December 31, 2022	Valuation techniques	Inputs
Other non-current financial assets-- Investment in equity instruments of private companies	423,893,239.94	Market approach /Income approach	Comparable public companies' PB (price/book value) ratio within the same industry /Future cash flows, Discount rate

4. The Third Level of Fair Value Measurement Item, Adjustment Information between the Opening and Closing Book Value

Unit: RMB

Other non-current financial assets	Amount
Book value on January 1, 2022	438,724,172.22
Increase in the current reporting period	83,962,245.00
Decrease in the current reporting period	29,000,000.00
Changes in fair value booked into profit and loss during the current reporting period	(69,793,177.28)

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Book value on December 31, 2022	423,893,239.94
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The total amount included in profit or loss in 2022 includes unrealized losses of RMB69,793,177.28 (2021: RMB53,214,895.05) related to financial assets measured at fair value at the end of the current reporting period, and such gains or losses are included in the gains or losses from changes in fair value; the realized gains of financial assets measured at fair value at the end of the current reporting period which were included in investment income was RMB51,892,209.92 (2021: RMB115,644,801.97).

5. Items Measured at Continuous Fair Value. There Were No Transfers between Levels for the Current Reporting Period. There was No Estimation Technique Change for the Current Reporting Period

6. Fair Values of Financial Assets and Financial Liabilities that not Measured at Fair Value

The Group's management team believes that financial assets and financial liabilities measured at amortized cost mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, non-current assets due within one year, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, part of other current liabilities, non-current liabilities due within one year, long-term borrowings, long-term payables and part of other non-current liabilities, etc., carrying value of which approximates to its fair value.

X. Related Party Relationships and Transactions

1. Information on Parent Company of the Company

Name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Percentage of voting rights of parent company to the Company (%)
China Electronics Technology HIK Group Co., Ltd. (CETHIK)	Hangzhou, Zhejiang	Industrial investment	RMB 660 million	36.09	36.09

The ultimate controlling party of the Company is CETC.

2. Information on the Subsidiaries of the Company

For details of the main subsidiaries of the Company, see Note (VII).

3. Information on the Joint Ventures and Associated Companies of the Company

Joint ventures and associates that had related party transactions with the Group in the current reporting period, or in the prior periods and formed balances are as follows:

Name of the associates or joint ventures	Relationship with the Company
Wuhu Sensortech Intelligent Technology Ltd. (Wuhu Sensortech) and its subsidiaries (Note1)	Associated company
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries (Note1)	Associated company
Zhiguang Hailian Big Data Technology Ltd. and its subsidiaries (Note1)	Associated company
Jiaxin Haishi JiaAn Zhicheng Technology Ltd. (Note1)	Associated company
Qinghai Qingtang Big Data Ltd. (Note1)	Associated company
Sanmenxia Xiaoyun Vision Technology Ltd. (Note1)	Associated company
Zhejiang Hailai Yunzhi Technology Ltd. (Note1)	(Note3)
Guangxi Haishi City Operation Management Ltd. and its subsidiaries (Note2)	Joint venture
Shenzhen Haishi Urban Service Operation Ltd. and its subsidiaries (Note2)	Joint venture
Xuzhou Kangbo City Operation Management Service Ltd. (Note2)	Joint venture
Yunnan Yinghai Parking Service Ltd. (Note2)	Joint venture
Zhejiang City Digital Technology Ltd. (Note2)	Joint venture
Zhejiang Haishi Huayue Digital Technology Ltd. (Note2)	Joint venture

Note 1: Those companies are collectively referred to as "associated companies" in the following disclosures of related party transactions, receivables from related parties, and payable from related parties.

Note 2: Those companies are collectively referred to as "joint ventures" in the following disclosures of related party transactions, receivables from related parties, and payable from related parties.

Note 3: During the period from January 1, 2021 to June 30, 2021, Zhejiang Hailai (formerly known as: Daishan Hailai Yunzhi Technology Ltd.) was a joint venture of the Company. On June 30, 2021, the Company included Zhejiang Hailai in the scope of the consolidated financial statements, see Note (VI) 1 for details. During the period from January 1, 2021 to June 30, 2021, this company is a related party of the Company.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

4. Information on Other Related Parties

Name (Note1)	Relationship
Shanghai Fullhan Microelectronics Co., Ltd. and its subsidiaries (Note2)	Shareholder(s) that hold(s) more than 5% shares of the Company was(were) the director(s) of this company
Shenzhen Wanyu Security Service Technology Ltd. and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Confirmware Technology (Hangzhou) Co., Ltd.	The Group's senior management serve(s) as director(s) of this company
Zhejiang Fast Line data fusion Information Technology Co., Ltd. and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Chengdu Guoshengtianfeng Network Technology Ltd. and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Ruihua Innovation Management Research Institute (Hangzhou) Ltd.	The Group's independent director(s) serve(s) as director(s) of this company
Ningbo Industrial Internet Research Institute Co., Ltd.	The Group's independent director(s) serve(s) as director(s) of this company
INESA (Group) Ltd. and its subsidiaries	The Group's supervisor(s) serve(s) as director(s) of this company
Aurotek CORP. and its subsidiaries (Note3)	The Group's former independent director(s) serve(s) as director(s) of this company (Note 1)
Shenzhen Zhongtu Instrument Co., Ltd. (Note4)	The Group's chairman(chairmen) of Board of the Supervisors was(were) he director(s) of this company
Suzhou Ximeng Technology Co., Ltd.	The Group's chairman(chairmen) of Board of the Supervisors was(were) he director(s) of this company
Subsidiaries of CETC (Note 5)	Under common control of the ultimate controlling party of the Company

Note 1: Those companies (excluding subsidiaries of CETC) are collectively referred to as "companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors" in the following disclosures of related party transactions, receivables from related parties, and payable from related parties.

Note 2: Gong Hongjia, a shareholder holding more than 5% shares of the Company, once served as a director of the company. The term of office of Gong Hongjia was from April 2004 to December 2022. Therefore, this company was recognized as a related party of the Group in 2021 and 2022.

Note 3: Cheng Tianzong, a former independent director of the Group, once served as a director of the company. The term of office of Cheng Tianzong was from June 2014 to March 2021. Therefore, this company was recognized as a related party of the Group in 2021, as well as during January 2022 to March 2022.

Note 4: Hong Tianfeng, the chairman of Board of the Supervisors of the Group, once served as a director company. Hong Tianfeng departed the Company in April 2022, 2022 is the first year of him/her departure. Therefore, this company was still recognized as a related party of the Company in the current period.

Note 5: Subsidiaries of CETC, excluding Hikvision and its subsidiaries.

5. Related Party Transactions

(1) Related party transactions regarding sales and purchases of goods, provision of services and receiving services

Purchase of commodities / receiving of services:

Unit: RMB

Related party	Transaction type	Amount occurred in 2022	Amount occurred in 2021
Subsidiaries of CETC	Purchase of materials and receiving of services	2,234,524,161.20	1,996,000,573.93
Joint ventures	Purchase of materials and receiving of services	5,071,741.36	127,177.54
Associated companies	Purchase of materials and receiving of services	417,989,556.67	379,325,021.37
Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	Purchase of materials and receiving of services	1,598,406,260.25	1,076,803,192.56

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Related party	Transaction type	Amount occurred in 2022	Amount occurred in 2021
Total		4,255,991,719.48	3,452,255,965.40

Sales of commodities / rendering of services:

Unit: RMB

Related party	Transaction content	Amount occurred in 2022	Amount occurred in 2021
Subsidiaries of CETC	Sales of products and rendering of services	447,186,616.90	434,709,999.06
Joint ventures	Sales of products and rendering of services	77,751,276.48	83,222,278.95
Associated companies	Sales of products and rendering of services	87,149,633.74	88,857,130.72
Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	Sales of products and rendering of services	11,233,785.52	16,831,852.52
Total		623,321,312.64	623,621,261.25

(2) Related party lease

Unit: RMB

Lessor	Type of leased assets	Rental fee confirmed in 2022	Rental fee confirmed in 2021
Subsidiaries of CETC	Equipment	13,913,056.77	27,826,113.54
Joint ventures	House	542,554.11	486,718.33
Total		14,455,610.88	28,312,831.87

Note: At the end of this year, the Company signed a housing lease contract with Subsidiaries of CETC with a lease period of 27 months. On December 31, 2022, the Company confirmed right-of-use assets of RMB 6,514,131.19 and lease liabilities of RMB7,379,632.09. During the reporting period, the depreciation of right-of-use assets was RMB814,266.39 and interest on lease liabilities was RMB51,234.51.

(3) Compensation for key managers

Unit: RMB

Item	Amount occurred in 2022	Amount occurred in 2021
Compensation for key managers	38,836,690.44	40,571,163.91

(4) Other related party transactions

Statement of capital deposits:

Unit: RMB

Related Party	Content of related party transaction	Amount occurred in 2022	Balance at the end of the current reporting period	Amount occurred in 2021	Opening Balance
Subsidiaries of CETC	Deposit into (withdraw from) current deposits	(499,973,215.52)	33,518.68	500,006,734.20	500,006,734.20
Subsidiaries of CETC	Deposit into fixed deposits	-	4,000,000,000.00	-	4,000,000,000.00
Total		(499,973,215.52)	4,000,033,518.68	500,006,734.20	4,500,006,734.20

Note: For the deposit deposited by the Group with China Electronics Technology Finance Co., Ltd., the deposit interest income during the reporting period was RMB80,026,784.06 (2021: RMB 80,001,932.23).

Information on notes discounted:

In 2022, The face value of bank acceptance bill discounted by the Group to China Electronics Technology Finance Co., Ltd. is RMB33,564,209.39 (2021: nil). The face value of the discounted and expired bank acceptance bill is

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

RMB33,564,209.39 (2021: nil). Interest expense arising from discounting the notes amounted to RMB241,747.39 (2021: nil)

6. Receivables from Related Parties and Payables to Related Parties

(1) Receivables from related parties

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Subsidiaries of CETC	703,246,712.68	226,247,765.93	756,888,051.10	209,305,306.47
Accounts receivable	Joint ventures	33,380,436.75	1,573,681.64	19,862,199.08	592,300.61
Accounts receivable	Associated companies	101,753,693.78	5,670,312.45	87,093,118.68	3,627,594.53
Accounts receivable	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	3,849,485.72	79,488.44	4,352,261.48	80,947.45
Total		842,230,328.93	233,571,248.46	868,195,630.34	213,606,149.06

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Notes receivable	Subsidiaries of CETC	170,543,239.65	-	78,858,666.10	-
Notes receivable	Joint ventures	2,500,000.00	-	1,444,385.00	-
Notes receivable	Associated companies	2,358,308.70	-	5,000,000.00	-
Notes receivable	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	281,113.19	-	-	-
Total		175,682,661.54	-	85,303,051.10	-

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Other receivables	Subsidiaries of CETC	1,720,917.15	240,722.93	645,000.00	99,483.50
Other receivables	Joint ventures	374,619.85	2,472.49	244,182.74	2,124.39
Other receivables	Associated companies	-	-	10,485.27	91.22
Total		2,095,537.00	243,195.42	899,668.01	101,699.11

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due within one year)	Subsidiaries of CETC	300,478.44	1,983.16	38,579,578.71	2,451,642.33

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due within one year)	Associated companies	43,800,876.33	973,106.36	37,660,831.90	431,834.19
Total		44,101,354.77	975,089.52	76,240,410.61	2,883,476.52

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Prepayments	Subsidiaries of CETC	6,707,516.94	2,705,210.05
Prepayments	Associated companies	-	49,300,000.00
Total		6,707,516.94	52,005,210.05

(2) Payables to related parties

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Accounts payable	Subsidiaries of CETC	759,760,264.93	570,856,498.41
Accounts payable	Joint ventures	966,037.73	-
Accounts payable	Associated companies	88,750,828.96	77,275,644.97
Accounts payable	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	240,030,055.22	409,333,802.57
Total		1,089,507,186.84	1,057,465,945.95

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Notes Payable	Subsidiaries of CETC	7,561,539.70	40,579,368.55
Notes Payable	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	31,994,311.07	24,314,184.13
Total		39,555,850.77	64,893,552.68

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of CETC	8,673,665.99	3,446,311.89
Contract liabilities	Joint ventures	2,558,659.59	-
Contract liabilities	Associated companies	-	195,416.40
Contract liabilities	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	-	961,369.66
Total		11,232,325.58	4,603,097.95

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Other payables	Subsidiaries of CETC	56,652,471.09	56,252,811.73
Other payables	Joint ventures	10,000.00	10,000.00
Other payables	Associated companies	236,000.00	9,397,150.00
Other payables	Companies in which directors, supervisors, senior management, and related natural persons of	250,000.00	250,000.00

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

	the Company serve as directors		
Total		57,148,471.09	65,909,961.73

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Lease liabilities (including those due within one year)	Subsidiaries of CETC	16,863,126.87	22,591,498.84
Lease liabilities (including those due within one year)	Joint ventures	-	1,074,683.57
Total		16,863,126.87	23,666,182.41

XI. Share-based Payments

1. Overview of Share-based Payments

Restrictive Share Incentive Scheme

According to the *Approval of the Implementation of the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (Guo Zi Fen Pei [2012] No. 426) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the *Opinion the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (Shang Shi Bu Han [2012] No. 353) issued by China Securities Regulatory Commission, the Company convened the ninth meeting of the second session of the Board of Directors on July 25, 2012 and the first extraordinary general meeting for 2012 on August 13, 2012, whereat the Proposal Relating to the Restrictive Share Scheme (Amendments to the Draft) of the Company and Highlights was reviewed and passed. The purpose of the Share Incentive Scheme is to: further improve the Company's governance structure to establish a good and balanced value allocation system; establish a profit-sharing and restriction mechanism among shareholders, the Company and its employees, so as to provide shareholders with sustainable return; fully mobilize the positivity of core employees to support the Company in realizing its strategies and long-term sustainable development; attract and retain core employees to ensure the Company's long-term development.

The Scheme shall be effective for a term of 10 years commencing from the date of approval by general meeting of the Company, during which the Company may grant restricted shares to grantees under the Scheme. In principle, each grant should be at an interval of two years. After the expiry of the Scheme, no restricted shares could be granted to grantees under the Scheme. However, all the provisions of the Scheme remain valid to the restricted shares granted under the Scheme.

Each batch of restricted shares shall not be unlocked unless fulfilling, each time, by the Company its unlock performance criteria (including net asset yield, revenue growth rate, and economic value added), and by grantees' individual performance criteria simultaneously. Where, during the unlocking period, any one or more unlock criteria for the Company or individuals is or are not fulfilled, such portion of subject shares shall be cancelled. The cancelled restricted shares will be repurchased by the Company based on the relevant regulations under the scheme.

On December 20, 2018, authorized by the 2nd extraordinary general meeting of 2018 and reviewed by the Board of Directors, the Company granted 121,195,458 restricted shares to grantees at a grant price of RMB 16.98 per share ("2018 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and are not transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. The Company has completed the equity registration work in January 2019.

On January 18, 2022, authorized by the 1st extraordinary general meeting of 2022 and reviewed by the Board of Directors, the Company granted 97,402,605 restricted shares to grantees at a grant price of RMB29.71 per share ("2021 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and are not transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. The Company has completed the equity registration work in February 2022.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Unit: share

2018 Share Incentive Scheme	2022	2021
Total of equity instruments outstanding at the beginning of the reporting period	68,762,683	68,762,683
Total of equity instruments granted (share dividend) during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	33,142,730	-
Total of equity instruments forfeited during the current reporting period (Note)	35,619,953	-
Total of equity instruments outstanding at the end of the reporting period	-	68,762,683
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	Inapplicable	RMB16.98/share & 24 months

Note: In accordance with the authorization by the Company's second Extraordinary General Meeting in 2018, the resolution by the 10th meeting of the 5th session of the Board of Directors on May 5, 2022, the resolution of the second Extraordinary General Meeting in 2022 on October 10, 2022 and the revised Articles of Association, the Company repurchased and cancelled the granted 2,288,095 restricted RMB treasury shares that have not been unlocked by cash. The Company completed the deregistration on December 21, 2022.

In accordance with relevant regulations under *2018 Restricted Share Incentive Scheme (revised draft)*, the vesting conditions of third vesting period were not met, and the amount of 33,331,858 shares granted but not vested accordingly was forfeited during the current period.

2021 Share Incentive Scheme	2022	2021
Total of equity instruments outstanding at the beginning of the reporting period	-	-
Total of equity instruments granted (share dividend) during the current reporting period	97,402,605	-
Total of equity instruments vested during the current reporting period	-	-
Total of equity instruments forfeited during the current reporting period (Note)	-	-
Total of equity instruments outstanding at the end of the reporting period	97,402,605	-
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB29.71/share & 48 months	Inapplicable

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

On October 22, 2015, Hikvision considered and approved *Management Measures for Core Staff Co-Investment in Innovative Businesses (Draft)* (hereafter referred to as "Management Measures") at the 2nd extraordinary general meeting. On March 7, 2016, representative congress of labor union of Hikvision passed *Implementation Provisions for Management Measures for Core Staff Investment in Innovative Businesses* (hereafter referred to as "Provisions"), to initiate and implement the incentive mechanism of staff co-investment (hereafter referred to as "Staff Co-Investment Plan") in innovative business subsidiaries. Staff who participate in the Staff Co-Investment Plan (hereafter referred to as "Co-Investment Staff") signed an *Entrusted Investment Agreement* with the labor union committee of Hikvision (hereafter referred to as "Hikvision Labor Union"), to entrust Hikvision Labor Union to make investments. Hikvision Labor Union, as a principal, shall cooperate with a trust company, which shall be a limited partner (LP) of a partnership enterprise, to establish a trust plan, and to invest trust funds into innovative business subsidiaries. (Investment form described above is referred to as "Co-Investment Platform").

Staff Investment Plan is classified as plan A and plan B according to applicable grantees. Grantees of plan A are comprised of medium-and-senior level management personnel and core competent staff from Hikvision and its subsidiaries are able to invest in all innovative businesses. Grantees of plan B are comprised of core and full-time staff from innovative business subsidiaries, and could participate in investment on innovative business subsidiaries and their subsidiaries where they

serve. The Co-Investment Platform will increase capitals annually, the corresponding increased equity of which will be distributed to core staff who meets investment conditions pursuant to particular rules. The waiting period shall be five years after equity of Co-Investment Platform is held by the staff. Within the waiting period, if the labor relationship between the grantees and the Company or its subsidiaries is released or terminated, equity of Co-Investment Platform held by the grantees shall be refunded and settled by the labor union at an agreed price pursuant to the Provisions.

The Co-Investment Platform grants Co-Investment Staff additional equity annually. The Group determines whether share-based payment shall be constituted based on the fair value of equity instruments newly obtained by the Group's staff in Co-Investment Platform on each granting date. On December 25, 2020, the Company held the 20th meetings of 4th session of the Board of Directors, which reviewed and approved the *Proposal on Revising Management Measures for Core Staff Co-Investment in Innovative Businesses*. The updated version of *Management Measures for Core Staff Co-Investment in Innovative Businesses* (hereinafter referred to as "updated version of *Management Measures*"), The new version adds rules relating to the confirmation of shares held directly by employees under Staff Co-Investment Plan and equities of innovative business subsidiaries held indirectly by employees, clarifies the treatment of shares under Co-Investment Plan after the disqualification about co-investment of employees, adds rules of management committee.

On December 31, 2020, the Executive management committee of the Co-Investment Plan approved the *Provisions for Management Measures for Core Staff Investment in Innovative Businesses* (hereafter referred to as "New Provisions". In accordance of the New Provisions, for the confirmed Plan A shares, the waiting period is five years since the employee has worked for the company or its subsidiaries and for the confirmed share of Plan B, the waiting period is five years since the employee has worked for the innovative business subsidiary corresponding to the Plan B or its subsidiaries.

2. Information of the Share-based Payment through Equity Settlements

Restrictive Share Incentive Scheme

Unit: RMB

	2018 Share Incentive Scheme	2021 Share Incentive Scheme
Method of determine the fair value of equity instruments at the grant date	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period
Recognition basis of the number of the equity instruments qualified for vesting	Determined based on the results estimation of each vesting period and turnover rate	Determined based on the results estimation of each vesting period and turnover rate
Reasons of the significant difference between the estimates of the current reporting period with that of the prior year	None	None
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	807,558,807.12	628,733,458.52
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	(233,622,413.77)	646,300,305.69

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

Unit: RMB

	Share Incentive Scheme of Staff Co-Investment in Innovative Businesses
Method of determining the fair value of equity instruments at the grant date	Evaluated and determined based on income method at the grant date
Recognition basis of the number of the equity instruments qualified for vesting	Estimated and determined based on the performance result conditions of each vesting period
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	482,406,503.60
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	207,631,789.73

RMB48,476,710.52 of the total expenses of paid and confirmed by equity settlements was shared by minority shareholders and RMB909,665.51 of the total deferred tax impact arising from the restricted share incentive scheme was shared by

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

minority shareholders.

3. There is no share-based payment through cash settlements

4. There is no modification or termination of share-based payment during the current reporting period.

XII. Commitments and Contingencies

1. Significant Commitments

(1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Contracted but not yet recognized in financial statements		
- Commitment on construction of long-term assets	16,521,850	11,659,026
- Commitment on external investments	12,940	34,500
Total	16,534,790	11,693,526

2. Contingencies

The Group has no significant contingencies to be disclosed.

XIII. Events after the Balance Sheet Date

1. Significant Unadjusted Events

As of April 13, 2023, the Company has no significant events after the balance sheet date that need to be disclosed

2. Profit Distribution

Pursuant to the proposal of the 17th meeting of the 5th session of the Board of Directors on April 13, 2023, the Company proposed to distribute cash dividend of RMB7 (tax inclusive) per each 10 shares to all shareholders. The above dividend distribution plan is still subject to the approval of the general meeting of shareholders.

XIV. Other Significant Events

1. Segment Information

1.1 Report segment determining and accounting policy

According to the Group's internal organization structure, management requirements and internal report principles, the Group has only one operating segment, which is the research and development, production and sales of AIoT products and services.

1.2 Segment financial reporting

External revenue by geographical area & non-current assets by geographical location

Unit: RMB

Item	2022	2021
External revenue generated in domestic area	56,890,890,769.45	59,434,989,705.17
External revenue generated in overseas area	26,275,430,911.69	21,985,063,834.10
Total	83,166,321,681.14	81,420,053,539.27

Unit: RMB

Item (Note)	On December 31, 2022	On January 1, 2022
Non-current assets in domestic area	16,808,935,279.10	13,823,326,864.88

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Non-current assets in overseas area	831,488,767.27	777,156,474.79
Total	17,640,424,046.37	14,600,483,339.67

Note: the non-current assets above did not include other non-current financial assets, long-term receivables, long-term equity investment, and deferred tax assets.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

XV. Notes to Major Items of Financial Statements of the Parent Company

1. Accounts Receivable

(1) Disclosure by age

Unit: RMB

Aging	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Within credit period	7,024,926,501.10	8,144,151.71	0.12
Within 1 year after exceeding credit period	16,771,801,690.71	87,553,778.78	0.52
1-2 years after exceeding credit period	513,230,879.82	92,194,242.75	17.96
2-3 years after exceeding credit period	312,592,580.10	119,434,198.71	38.21
3-4 years after exceeding credit period	180,224,406.31	119,634,534.57	66.38
Over 4 years after exceeding credit period	164,982,539.08	164,982,539.08	100.00
Subtotal	24,967,758,597.12	591,943,445.60	2.37

(2) Classification and disclosure of by credit loss provision methods

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Credit loss provision		Book value	Carrying balance		Credit loss provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)	Amount	Percentage (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-	-	-	-	-	-
Provision for credit loss by portfolios	24,967,758,597.12	100.00	591,943,445.60	2.37	24,375,815,151.52	24,366,746,971.10	100.00	488,628,899.68	2.01	23,878,118,071.42
Total	24,967,758,597.12	100.00	591,943,445.60	2.37	24,375,815,151.52	24,366,746,971.10	100.00	488,628,899.68	2.01	23,878,118,071.42

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Accounts receivable provision for credit loss by portfolios

Unit: RMB

Customer	Closing balance		
	Carrying balance	Credit loss provision	Proportion (%)
Subsidiaries' customers	20,790,257,807.56	-	-
Portfolio A	592,263.40	311,519.72	52.60
Portfolio B	4,176,689,050.71	591,412,450.43	14.16
Portfolio C	219,475.45	219,475.45	100.00
Total	24,967,758,597.12	591,943,445.60	2.37

Description of accounts receivable for credit loss provision by portfolios

As part of the Company's credit risk management, the Company uses the over-credit age of accounts receivable to assess the expected credit losses of accounts receivable formed by domestic and overseas sales businesses, and the risk characteristics are divided according to different business area and target into portfolio A, portfolio B and portfolio C. For the accounts receivable generated by the Group's related parties, because the payment time is arranged by the Group according to the cash flow of the companies in the Group, the Company believes that the credit risk is low and no provision for credit loss is required. The aging information can reflect the solvency of these three types of customers when the accounts receivable are due.

(3) Credit loss provision

The provision for credit loss in the current reporting period is RMB 119,419,773.02.

The actual write-off of accounts receivable for the current reporting period is RMB 16,303,736.16, and RMB 198,509.06 is recovered after write-off.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

(4) Top five debtors based on corresponding closing balance of accounts receivable

Unit: RMB

Name of the Party	Book value balance of accounts receivable	Proportion (%) of the total balance of accounts receivable at the end of the current reporting period	Closing balance for credit loss provision
Subsidiary A	20,685,756,539.48	82.85	-
CETC's subsidiary company A	130,418,142.77	0.52	53,524,319.86
Third party H	107,975,664.71	0.43	4,115,824.12
Third party I	71,179,765.58	0.29	2,169,926.56
Third party J	37,596,997.02	0.15	1,597,872.37
Total	21,032,927,109.56	84.24	61,407,942.91

(5) As of December 31, 2022, there is no termination of accounts receivable booking due to transfer of a financial asset.

(6) As of December 31, 2022, the Company has no assets/liabilities booked due to transferred accounts receivable that the Company still continue to be involved in.

2. Other Receivables

2.1 By categories

Unit: RMB

Category	Closing balance	Opening balance
Dividends receivable	85,323,007.51	22,910,404.14
Other receivables	2,324,554,929.22	1,491,231,959.91
Total	2,409,877,936.73	1,514,142,364.05

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

2.2 Dividends receivable

Unit: RMB

Investees	Closing balance	Opening balance
Subsidiaries of Hikvision	85,323,007.51	22,910,404.14
Total	85,323,007.51	22,910,404.14

2.3 Other receivables

(1) Other receivables by aging

Unit: RMB

Item	Closing balance		
	Other receivables	Credit loss provision	Proportion (%)
Within contract period	2,291,096,654.42	957,238.60	0.04
Within 1 year	33,503,835.61	1,372,301.44	4.10
1-2 years	2,112,945.32	372,089.67	17.61
2-3 years	341,396.88	120,389.01	35.26
3-4 years	946,880.46	624,764.75	65.98
Over 4 years	646,571.70	646,571.70	100.00
Subtotal	2,328,648,284.39	4,093,355.17	0.18

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

(2) Other receivables by nature of the payment

Unit: RMB

Nature	Closing balance	Opening balance
Payments by related parties within the Group	2,137,185,066.96	1,365,117,094.96
Temporary payments for receivables	109,945,554.93	61,128,645.72
Guarantee deposit	69,392,171.01	60,966,840.82
Others	12,125,491.49	7,274,266.75
Total	2,328,648,284.39	1,494,486,848.25

(3) Provision for credit losses

The amount of credit loss provision in the current period was RMB 1,198,466.83.

(4) The actual write-off of other receivables in the current reporting period was RMB 360,000.00.

(5) Top 5 debtors of other receivables in terms of closing balance

Unit: RMB

The name of entity	Nature	Closing balance	Aging	Percentage to total other receivables (%)	Closing balance for credit loss provision
Subsidiary B	Internal Payment	618,349,570.66	Within contract period	26.55	-
Subsidiary C	Internal Payment	495,712,569.41	Within contract period	21.29	-
Subsidiary D	Internal Payment	196,728,403.47	Within contract period	8.45	-
Subsidiary E	Internal Payment	111,136,286.84	Within contract period	4.77	-

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

The name of entity	Nature	Closing balance	Aging	Percentage to total other receivables (%)	Closing balance for credit loss provision
Subsidiary F	Internal Payment	98,983,544.27	Within contract period	4.25	-
Total		1,520,910,374.65		65.31	-

(6) At the end of the current reporting period, the Company had no other receivables involving government subsidies.

(7) At the end of the current reporting period, there were no other receivables derecognized due to the transfer of financial assets.

(8) At the end of the current reporting period, there were no assets or liabilities formed by continuing involvement in transferred other receivables.

3. Long-term Equity Investment

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Provisions	Book value	Carrying balance	Provisions	Book value
Investment in subsidiaries	6,629,092,230.54	-	6,629,092,230.54	6,870,285,292.68	-	6,870,285,292.68
Investments in associated enterprises and joint ventures	1,106,666,564.96	-	1,106,666,564.96	915,631,339.20	-	915,631,339.20
Total	7,735,758,795.50	-	7,735,758,795.50	7,785,916,631.88	-	7,785,916,631.88

(1) Investment in main subsidiaries

Unit: RMB

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Hangzhou Hikvision System Technology Ltd.	860,512,480.17	12,957,650.20	-	873,470,130.37	-	-

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Hangzhou Hikvision Technology Ltd.	1,074,046,955.60	25,602,054.03	-	1,099,649,009.63	-	-
Hangzhou EZVIZ Network Co., Ltd.	63,243,651.86	-	2,612,485.31	60,631,166.55	-	-
Hangzhou EZVIZ Software Ltd.	40,105,053.11	-	7,739,544.83	32,365,508.28	-	-
Hangzhou Hikrobot Technology Co., Ltd.	142,392,287.50	-	4,785,473.57	137,606,813.93	-	-
Hangzhou Haikang Intelligence Ltd.	10,200,142.51	-	1,801,683.82	8,398,458.69	-	-

(2) Investments in associated enterprises and joint ventures

Unit: RMB

Name of investee	Opening balance									Closing balance	Balance of impairment loss provision at the end of the current reporting period
		Additional investments	Reduced investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profit distribution	Provision for impairment	Others		
1. Joint Ventures											
Hangzhou Haikang	702,369,339.95	-	-	112,680,820.39	-	14,775,227.26	-	-	-	829,825,387.60	-

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Name of investee	Opening balance									Closing balance	Balance of impairment loss provision at the end of the current reporting period
		Additional investments	Reduced investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profit distribution	Provision for impairment	Others		
Intelligent Industrial Equity Investment Fund Partnership (L.P.)											
Zhejiang City Digital Technology Ltd.	12,214,320.29	11,500,000.00	-	2,627,190.51	-	-	-	-	-	26,341,510.80	-
Zhejiang Haishi Huayue Digital Technology Ltd.	11,930,512.66	-	-	2,726,503.57	-	-	(1,275,000.00)	-	-	13,382,016.23	-
Shenzhen Haishi Urban Service Operation Ltd.	1,264,658.38	1,500,000.00	-	(1,089,851.65)	-	-	-	-	-	1,674,806.73	-
Guangxi Haishi City Operation Management Ltd.	4,632,200.59	8,560,000.00	-	(132,206.62)	-	-	-	-	-	13,059,993.97	-
Yunnan Yinghai Parking Service Ltd.	4,558,881.09	-	-	519,116.95	-	-	-	-	-	5,077,998.04	-
Xuzhou Kangbo City Operation Management Service Ltd.	9,233,201.67	-	-	1,152,365.21	-	-	-	-	-	10,385,566.88	-

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Name of investee	Opening balance									Closing balance	Balance of impairment loss provision at the end of the current reporting period
		Additional investments	Reduced investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profit distribution	Provision for impairment	Others		
Subtotal	746,203,114.63	21,560,000.00	-	118,483,938.36	-	14,775,227.26	(1,275,000.00)	-	-	899,747,280.25	-
2. Associated Companies											
Wuhu Sensortech Intelligent Technology Ltd.	75,466,476.84	-	-	22,627,903.68	-	-	-	-	-	98,094,380.52	-
Maxio Technology (Hangzhou) Co., Ltd.	62,727,449.53	-	-	(18,684,479.79)	-	42,356,564.37	-	-	-	86,399,534.11	-
Zhiguang Hailian Big Data Technology Ltd.	21,285,843.27	-	-	(3,378,441.24)	-	4,517,968.05	-	-	-	22,425,370.08	-
Qinghai Qingtang Big Data Ltd.	9,948,454.93	-	(9,800,000.00)	(148,454.93)	-	-	-	-	-	-	-
Subtotal	169,428,224.57	-	(9,800,000.00)	416,527.72	-	46,874,532.42	-	-	-	206,919,284.71	-
Total	915,631,339.20	21,560,000.00	(9,800,000.00)	118,900,466.08	-	61,649,759.68	(1,275,000.00)	-	-	1,106,666,564.96	-

(3) As of December 31, 2022, there were no restrictions on the capability of transferring fund to the Company from investees in which the Company held long-term equity investment.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

4. Revenue/cost of sales and services

Unit: RMB

Item	2022		2021	
	Revenue	Cost	Revenue	Cost
Major business	21,018,811,109.28	4,962,133,305.77	24,756,059,967.30	5,102,605,625.81
Other business	3,265,694,229.07	135,606,040.90	3,316,533,294.57	138,183,248.51
Total	24,284,505,338.35	5,097,739,346.67	28,072,593,261.87	5,240,788,874.32

5. Investment Income

Unit: RMB

Item	2022	2021
Long-term equity investment income calculated by the cost method	205,293,907.63	16,316,000.00
Long-term equity investment income measured by the equity method	118,900,466.08	109,087,538.20
Investment income (losses) from disposal of long-term equity investments	1,709,563.80	(3,387,647.37)
Investment income of other non-current financial assets during the holding period	51,892,209.92	115,644,801.97
Investment income (losses) from disposal of held of trading financial assets	8,227,196.70	(461,953.09)
Investment income from disposal of other non-current financial assets	1,260,000.00	-
Total	387,283,344.13	237,198,739.71

6. Related Party Transactions

(1) Sales and purchase of goods, provision of services and receiving services

Purchase of goods/receiving of services:

Unit: RMB

Related party	Transaction type	2022	2021
Subsidiaries of Hikvision (Note)	Purchase of materials and receiving of services	6,144,557,450.80	6,136,340,294.33
Subsidiaries of CETC	Purchase of materials and receiving of services	115,654,935.67	23,888,681.71
Associated companies	Purchase of materials and receiving of services	76,150,000.00	36,783,800.00
Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	Purchase of materials and receiving of services	20,744,901.95	1,787,764.68
Total		6,357,107,288.42	6,198,800,540.72

Note: Subsidiaries of Hikvision are subsidiaries of the Company.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Sales of goods/rendering of services:

Unit: RMB

Related party	Transaction type	2022	2021
Subsidiaries of Hikvision	Sales of products and rendering of services	18,556,146,320.10	22,294,952,493.31
Subsidiaries of CETC	Sales of products and rendering of services	39,345,286.87	20,263,330.33
Joint ventures	Sales of products and rendering of services	6,434,024.76	2,000,114.83
Associated companies	Sales of products and rendering of services	250,870.35	20,709,343.81
Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	Sales of products and rendering of services	4,824,922.37	7,006,078.70
Total		18,607,001,424.45	22,344,931,360.98

(2) Related party lease

At the end of this year, the Company signed a housing lease contract with Subsidiaries of CETC with a lease period of 27 months. On December 31, 2022, the Company confirmed right-of-use assets of RMB6,514,131.19 and lease liabilities of RMB7,379,632.09. During the reporting period, the amount of interest on lease liabilities was RMB51,234.51.

(3) Guarantees with related parties

In the current reporting period, the Company has provided guarantees for its 31 subsidiaries in an amount not exceeding an equivalent of RMB17.90 billion (2021: RMB16.10 billion), including the joint liability guarantee for the payment obligations on purchase from suppliers in an amount not exceeding an equivalent of RMB320 million (2021: RMB370 million), and the joint liability guarantee for the general credit limit applied from commercial banks and other financial institutions or other financing methods through agreed methods in an amount not exceeding an equivalent of RMB17.58 billion (2021: RMB15.73 billion).

(4) Funding from related parties

In April 2022, the Company held the 9th Meeting of the 5th Session of the Board of Directors, which considered and approved the Proposal on Providing Financial Assistance to Seven Innovative Subsidiaries. Under this proposal, the Company will offer a loan of up to RMB1,200 million, RMB1,500 million, RMB300 million, RMB700 million, RMB200 million, RMB300 million and RMB300 million to Hangzhou HikAuto Technology Co., Ltd. ("HikAuto Technology"), Wuhan HikSemi Technology Co., Ltd. ("Wuhan HikSemi"), HikFire Technology, HikMicro Sensing, HikImaging Technology, Rayin Technology and HikAuto Software, respectively. The loans are intended to meet the operating capital needs of these innovative subsidiaries and the specific amount of a loan will be provided based

on the actual business needs of each subsidiary. The proposal was considered and approved by the shareholders' meeting of the Company on May 13, 2022. The validity period of the loan is 3 years from the date of proposal consideration and approval by the shareholders' meeting of the Company, and the loan (balance) can be taken out several times during the validity period. The annual loan interest rate shall be determined by the parties to the agreement in accordance with the market-based principles without violating the relevant laws and regulations, and shall be subject to the specific contract. The entry into effect of the proposal shall automatically invalidate any unused amount of the loan for 2021 as described below. In 2022, the Company lent a total of RMB4,058,597,035.23 to these innovative subsidiaries, and recovered RMB3,969,815,977.03 with interest income totaling RMB31,573,270.34.

In April 2021, the Company held the 2nd meeting of the 5th session of the Board of Directors, deliberated and passed the Proposal on Providing Financial Assistance to Five Innovative Business Holding Subsidiaries, and provided related party borrowing limits of not more than RMB 500 million, RMB 500 million, RMB 200 million, RMB 100 million and RMB 50 million to Wuhan HikStorage, HikAuto Technology, HikFire Technology, Hangzhou Rayin Technology and HikImaging Technology, respectively. It will be used for each innovative business subsidiary to supplement the operating capital needs, and the specific loan amount will be provided according to the actual business needs of each innovative business subsidiary. The proposal was deliberated and approved by the Company's General Meeting of Shareholders on May 14, 2021, and the validity period of the related party loan limit is 3 years from the date of deliberation and approval by the Company's General Meeting of Shareholders, and the amount (balance) can be recycled in batches during the validity period. The annual borrowing interest rate of financial assistance shall be determined through negotiation between the parties to the agreement without violating relevant laws and regulations, and the borrowing interest rate shall be determined in accordance with the principle of marketization, and the specific contract shall prevail. In 2021, the Company withdrew a total of RMB1,354,700,000.00 for various innovation business subsidiaries, received RMB737,000,000.00, and received a total interest income of RMB6,391,607.18.

In order to meet the R&D funding needs, China Development Bank and the Company signed long-term loan contracts with Hangzhou Systems, Hangzhou Rayin Technology, HikStorage Technology, HikMicro Sensing, HikRobot and HikAuto Software (hereinafter referred to as "R&D loan recipient"), subsidiaries of the Group. Under the loan arrangement, the Company is the borrower, a R&D loan recipient is the recipient and China Development Bank is the lender. A R&D loan recipient will apply for a loan from China Development Bank via the Company based on its R&D project progress and loan needs. After approval by the bank, the loan will be allocated to the recipient via the Company. The borrowing period is from December 31, 2021 to December 2, 2026 and a floating interest rate is used for the loan. RMB287,020,000.00 of the Company's long-term receivables represented the borrowings applied by the R&D loan recipients as of December 31, 2022, and interest income of RMB5,118,686.47 was recognized in 2022.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

(5) Other related party transactions
Statement of capital deposits

Unit: RMB

Related Party (Note)	Content of related party transaction	Amount occurred during the current reporting period	Closing balance at the end of the current reporting period	Amount occurred during the prior reporting period	Opening Balance at the beginning of the current reporting period
Subsidiaries of CETC	Deposit into (withdraw from) current deposits	(499,973,215.52)	33,518.68	500,006,734.20	500,006,734.20
Subsidiaries of CETC	Deposit into fixed deposits	-	4,000,000,000.00	-	4,000,000,000.00
Total		(499,973,215.52)	4,000,033,518.68	500,006,734.20	4,500,006,734.20

Note: For the deposit that the Company deposited into China Electronics Technology Finance Co., Ltd., the deposit interest income was RMB 80,026,784.06 in 2022 (2021: RMB 80,001,932.23).

Statement of discounted note

In 2022, The face value of bank acceptance bill discounted by the Group to China Electronics Technology Finance Co., Ltd. is RMB 33,564,209.39 (2021: nil). The face value of the discounted and expired bank acceptance bill is RMB 33,564,209.39 (2021: nil). Interest expense arising from discounting the notes amounted to RMB 241,747.39 (2021: nil)

7. Receivables from Related Parties and Payables to Related Parties
(1) Receivables from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Subsidiaries of Hikvision	20,790,257,807.56	-	20,638,547,619.01	-
Accounts receivable	Subsidiaries of CETC	245,305,306.90	98,031,982.92	232,683,754.63	59,533,322.73
Accounts receivable	Joint ventures	2,379,952.00	101,147.96	-	-

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Associated companies	8,072,547.52	2,436,481.82	10,721,469.72	1,091,672.49
Accounts receivable	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	1,902,966.26	44,955.65	2,504,232.29	23,633.21
Total		21,047,918,580.24	100,614,568.35	20,884,457,075.65	60,648,628.43

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Notes receivable	Subsidiaries of Hikvision	35,619,298.47	-	37,441,937.40	-
Notes receivable	Subsidiaries of CETC	1,681,429.40	-	12,417,231.80	-
Total		37,300,727.87	-	49,859,169.20	-

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Other receivables	Subsidiaries of Hikvision	2,137,185,066.96	-	1,365,117,094.96	-
Other receivables	Subsidiaries of CETC	1,190,907.15	49,197.51	145,000.00	6,133.50
Other receivables	Joint ventures	228,543.65	1,508.39	104,182.74	906.39
Total		2,138,604,517.76	50,705.90	1,365,366,277.70	7,039.89

Item	Related party	Closing balance	Opening balance
Prepayments	Subsidiaries of Hikvision	772,949.48	3,274,287.66
Prepayments	Subsidiaries of CETC	625,681.13	26,700.00
Prepayments	Associated companies	-	49,300,000.00
Total		1,398,630.61	52,600,987.66

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due within one year)	Subsidiaries of Hikvision	287,020,000.00	-	-	-
Long-term receivables (including those due within one year)	Subsidiaries of CETC	300,478.44	1,983.16	18,579,578.71	161,642.33
Total		287,320,478.44	1,983.16	18,579,578.71	161,642.33

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Dividends receivable	Subsidiaries of Hikvision	85,323,007.51	-	22,910,404.14	-
Total		85,323,007.51	-	22,910,404.14	-

(2) Payables to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Subsidiaries of Hikvision	516,915,904.84	441,107,077.18
Accounts payable	Subsidiaries of CETC	6,494,664.60	5,000,503.43
Accounts payable	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	-	648,139.19
Total		523,410,569.44	446,755,719.80

Item	Related party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of Hikvision	8,000,394.52	10,138,872.51
Contract liabilities	Subsidiaries of CETC	273,933.15	242,618.30
Contract liabilities	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	-	687.00
Total		8,274,327.67	10,382,177.81

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Item	Related party	Closing balance	Opening balance
Other payables	Subsidiaries of Hikvision	667,461,756.46	793,064,398.78
Other payables	Subsidiaries of CETC	278,540.00	190,790.00
Other payables	Joint ventures	10,000.00	10,000.00
Other payables	Associated companies	2,040.00	9,312,040.00
Other payables	Companies in which directors, supervisors, senior management, and related natural persons of the Company serve as directors	100,000.00	100,000.00
Total		667,852,336.46	802,677,228.78

Item	Related party	Closing balance	Opening balance
Lease liabilities (including those due within one year)	Subsidiaries of CETC	7,379,632.09	-
Total		7,379,632.09	-

8. Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2022	2021
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	9,597,855,108.17	14,088,727,668.02
Add: Assets impairment provision	1,195,518.35	2,669,913.88
Credit loss provision	122,761,912.01	119,440,900.17
Depreciation of fixed assets	352,312,160.94	271,966,196.58
Amortization of intangible assets	30,908,858.01	42,715,421.78
Depreciation of right of use assets	51,303,066.27	35,547,052.78
Amortization of long-term deferred expenses	33,629,517.18	66,502,221.67
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	2,215,205.61	(30,917,301.16)
Financial expenses	49,308,908.32	138,779,449.86
Losses from change in fair value	74,432,284.58	48,725,796.17
Investment income	(387,283,344.13)	(237,198,739.71)
Share-based payment through equity settlement	334,727,555.19	238,045,712.93
Decrease (increase) in restricted funds	(38,774,781.68)	195,005,634.49
Decrease (increase) in deferred income tax assets	108,152,533.65	(171,826,866.94)
Decrease (increase) of inventories	58,285,769.30	(145,289,110.09)

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

Supplementary information	2022	2021
Increase in operating receivables	(676,508,556.07)	(651,204,315.31)
Increase (decrease) in operating payables	(288,706,205.97)	1,539,868,467.24
Increase in deferred income	97,602,421.09	243,243,770.27
Net cash flow from operating activities	9,523,417,930.82	15,794,801,872.63
2. Major investing and financing activities not involving cash receipt and payment:		
3. Net change in cash and cash equivalents:		
Closing balance of cash	27,771,201,246.40	26,639,582,696.49
Less: Opening balance of cash	26,639,582,696.49	23,264,693,578.70
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	1,131,618,549.91	3,374,889,117.79

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	27,771,201,246.40	26,639,582,696.49
Including: Cash on hand	360,563.22	261,314.61
Bank deposit for payment at any time	27,609,458,740.05	26,639,219,718.83
Other monetary funds for payment at any time	161,381,943.13	101,663.05
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	27,771,201,246.40	26,639,582,696.49

On December 31, 2022, the Company's closing balance of other monetary funds was RMB 217,063,841.70 (December 31, 2021: RMB 17,008,779.94), of which RMB 55,681,898.57 were various guarantee deposits (December 31, 2021: RMB 16,907,116.89), not cash or cash equivalents.

Notes to Financial Statements

For the reporting period from January 1, 2022 to December 31, 2022

XVI. Supplementary Information

1. Details of Current Non-recurring Gains and Losses

Unit: RMB

Item	Amount	Description
Profit or loss from disposal of non-current assets	(18,617,582.10)	/
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy)	726,269,569.92	/
Investment gains from disposal of subsidiaries and other business units	3,550,851.71	
In addition to the Company's normal business related to the effective hedging business, gains and losses on changes in fair value arising from holding derivative financial assets, derivative financial liabilities, other non-current financial assets, and investment gains from the disposal of the above-mentioned financial assets/financial liabilities and receivables financing (losses)	(99,112,871.09)	/
Other non-operating income and expense except the items mentioned above	72,446,008.81	/
Impact of income tax	(74,392,826.66)	/
The impact of minority equity	(103,496,968.14)	/
Total	506,646,182.45	/

2. Return on Net Assets and Earnings per Share

The return on net assets and earnings per share have been prepared by Hangzhou Hikvision Digital Technology Co., Ltd. in accordance with the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised in 2010)* issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	19.62	1.370	1.370
Net profit excluding non-recurring items of profit or loss attributable to ordinary shareholders of the Company	18.85	1.315	1.315

Section XI Documents Available for Reference

1. The financial report was signed and sealed by the person in charge of the Company, the person in charge of accounting work and person in charge of accounting organization (Accounting Supervisor);
2. The original audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant;
3. Original versions and copies of all the Company's documents and announcements that were publicly disclosed on the website designated by CSRC during the reporting period.

The above documents are completely placed at the Company's board of directors' office.

Hangzhou Hikvision Digital Technology Co., Ltd.

Chairman: Chen Zongnian

April 15, 2023

Note:

This document is a translated version of the Chinese version 2022 Annual Report ("2022 年年度报告"), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2022 Annual Report may be obtained at www.cninfo.com.cn.